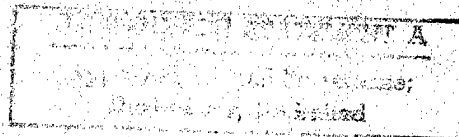


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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2441

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25 August 1983

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

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PLANS FOR DEVELOPMENT OF CHEMICAL INDUSTRY

Tirana BULETINI I SHKENCAVE TE NATYRES in Albanian No 3, Jul-Aug-Sep 82
pp 3-12

[Article by K. Popa: "The Chemical Industry in the Seventh Five-Year Plan and Its Prospects of Development" passages between slantlines printed in bold face]

[Text] The Seventh Five-Year Plan, which we are fulfilling, /fully relying on our own forces and possibilities,/ assigns very important tasks for the chemical sector just as for other sectors mostly connected with the further development of our chemical industry in the framework of the great and uninterrupted process of the country's socialist industrialization. As stressed in the activities of the Eighth Party Congress, /the new five-year plan comprises greater tasks and objectives than any other plan; these tasks and objectives are scientifically based and are fully realizable;/ however, along with the great complexity of the tasks, it is understood, of course, that a higher level must be achieved in the quality of their fulfillment.

Particularly, in regard to the problems of the chemical sector, in his report to the congress, Comrade Enver said: /"The chemical industry will have a great development and expansion during this five-year plan. In 1985, compared to 1980, its production will be increased between 63 and 65 percent. Particular importance will be given increasing the production of phosphate fertilizers and chemical products for the protection of crops. Now, as we have many basic products and a number of industrial remains and of accompanying compounds of mineral ores, the chemists and other specialists must study and achieve a larger range of chemical products and reagents in order to reduce their import as soon as possible. The initial phases of chemical synthesis must also be further advanced mainly relying on country's raw materials, and efforts must be carried out so that its products, in the near future, become an important source for export."/ This recommendation of Comrade Enver--a directive of the Eighth Party Congress--carefully and thoroughly examined and analyzed, has brought into the open the great and complex tasks assigned to the chemical sector, the chemical institutions of schools of higher education, the chemical institutions for laboratory and applied research, and to the great and small chemical production centers.

From Comrade Enver's speech, it is clearly understood that our main task, during this five-year plan, is to increase the chemical production to the extent

of 63-65 percent. To achieve this increase, which is presented as closely linked with the important development and expansion of the existing chemical industry, we must activate, in a coordinated manner, all conditioning factors in our disposal, going from the best and most complete utilization of our rich raw material base to the most studied support for the /utilization of the present technological level of production,/ to the careful use of our energy resources, to the level and degree of training of cadres, to the coordination of plans of the chemical research institutions and so forth. These factors present the premises from which we start in this five-year plan in order to fulfill the great tasks set forth before us.

According to Comrade Enver's speech the specific tasks for the chemical sector are: the increase of the production of chemical fertilizers, especially, the phosphate fertilizers, for the needs of agriculture; the increase of the production of chemicals for the protection of agricultural crops in the form of antiparasites and anticryptogams; and the increase of the range of basic chemical products, through better utilization of industrial remains and of secondary components which accompany the main component of our mineral ores, for the needs of existing industrial activities or of new ones in the form of intermediate or preindustrial products, for the needs of the domestic market or of the foreign market. All these things lead us to the essential expansion of existing chemical activities.

Comrade Enver's speech assigns to us the task of promoting the beginnings of the chemical synthesis which we have set up in our country, mainly relying on raw materials found in the country. This action leads us to set up new industrial chemical activities which never existed until now.

The first premise for the development and expansion of the chemical industry is to have, at one's disposal, suitable and necessary raw materials so as to implement the tasks set forth before us. It is known that the chemical industry, because of its great variety, is obliged, in general, to plan its development on the basis of natural raw materials and on the basis of intermediate, preindustrial or semi-industrial products which it receives from the mining sector, from the agricultural sector or from other industrial sectors.

Here, first of all, we must take into consideration the fact that our country is a relatively rich country with natural raw materials. It is enough to mention the various metalliferous and nonmetalliferous mineral ores which are in large quantities in our country and which are of basic importance for the economic and industrial development of the country. As it is known, today in our country, we extract and process large quantities of mineral ores, such as ferromanganese, copper, chromium, and iron-sulphurs (pyrites); we extract and extensively process nonmetalliferous ores, such as limestones, clays and various aluminum silicates, and silicon materials such as sand, quartzes and others; and other natural mineral resources, such as dolomites, bauxites, nickel, silico-magnesium ores, and other mineral ores have begun to be utilized in a studied manner.

With these natural raw materials, our chemical and para-chemical industry today is producing many industrial products such as cast iron, iron, copper and other

raw and pure elements, various types of all kinds of steel and links, chemical fertilizers treated with nitrogen, and phosphorus such as ammonium nitrate, urea and superphosphates, calcined soda, caustic soda and polyvinyl resins, and various and all kinds of chemical products such as acids, bases and salts, many intermediate chemical and technical products, a great number of products of light industry and so forth. In the years of the Seventh Five-Year Plan, our chemical industry is taking on the appearance of an industrial sector, more and more powerful, built on the principles of contemporary technology, with properly studied planning bases and in harmony with all other aspects of the development of the country. In reality, the production of our chemical industry today is not only meeting the needs of other economic and industrial sectors of the country and the needs of domestic consumption in general, but also a part of this industry is destined for export.

Of particular importance also is the fact that the guideline for the transformation of our natural resources into finished products, with a complete cycle of production is being carried out with an increasingly greater determination, becoming the reason for an harmonious development with cooperation between the extraction and processing industries.

Some great and very valuable resources to be used, as natural raw material, with a specific interest for our chemical industry, especially, the industry of synthesis, are: petroleum, natural gas, the various kinds of coal, sea and mineral salt, phosphorites, sulphurous materials, bituminous sands, pulp, and so forth. These raw materials are of interest not only for the immediate utilization in the main and traditional ways, but also and particularly for the new horizons, with great prospects, which they open for the comprehensive development of the economy of our country, for the setting up of new chemical industry activities by further advancing the entire production activity of the country and by elevating it to a higher level, and for introducing the most advanced contemporary technology, at least in the main fields of production.

Thus, petroleum, along with a number of finished products, which it produces through the fractional distillation process--products which now are well known and necessary for everyday life such as solvents, fuel, lubricants, asphalt products and so forth--through the deep processing process (pyrolytic or catalytic) can produce a range of important basic materials of great industrial interest, especially, for the varnish, fiber, synthetic rubber, plastic materials of any kind and of any nature, chemical fertilizer, detergent, and pharmaceutical products industries, and, in general, the heavy chemical industry. The petroleum deep processing industry (petrochemistry) today is one of the most powerful and most important branches of the chemical industry in general. The range of intermediate, semifinished or finished products, which it can provide for the sectors of industry, research and the economy in general, is unlimited.

Our petroleum deep processing industry in Ballsh has started to produce intermediate and semi-finished products for the needs of other production sectors.

Similarly, natural gas, along with its use as a combustible material, with its deep processing (directed oxidation, selective catalysis, high temperatures),

can produce a large range of semi-finished products (hydrogen, acetylene and others), very useful for the further development of the chemical industry. The pyrolytic processes of petroleum or of natural gas have been used for a long time and are being used in our industry of nitrogen chemical fertilizers.

It is of great interest that the country's coal, along with its use as a combustible material, also be used in the production processes of metallurgical coke and of synthetic gas; this would provide an unlimited range of aliphatic products of a great industrial importance which is continually increasing. It is worth mentioning here that the synthetic gas can also be extracted starting with poor quality coal which it would be difficult to use for other purposes. Today, in our country, specialized institutions are doing a great amount of work in this field.

Our rich sulphur materials, such as pyrites, chalcopyrites, gypsums, elementary sulphur extracted through the purification of petroleum and natural gas, and so forth, along with the use of their metal elements, are very attractive today, because of their sulphur content, especially for their utilization in the studied invigoration, with great prospects of the sulphuric acid industry.

The discovery of rich mineral salt strata, together with the coastal salt-mines, along with calcined soda, sodium hydroxide and hydrochloric acid, has opened prospects for an independent development of the chlorine industry which has a large field in the entire development of the chemical industry in the country.

The resolute work, being carried out for solving the problem of enrichment of poor phosphorites of the country to the level required today by our industry of superphosphates, will permit us to get rid of imports of foreign phosphorites and apatites which condition the intensification of agriculture in an important manner. Along with this, the resolute efforts of the geological sector to achieve its final goal, in regard to phosphorite reserves, found in our country, and in regard to their quality, gives a great aid to the technological solution of the problems of enrichment and of chemical processing of these mineral ores.

Lately, the bituminous sands have drawn our attention as industrial raw materials, not only because of the bitumen which they contain, but also as a source of hydrocarbon materials for chemical synthesis and for pulp products which, recently, are being regarded with great interest in obtaining artificial fibers of the rayon and cellulose acetate type.

In regard to the needs for energy, which the development and expansion of the chemical industry would require, it is known that our energy resources constitute a great wealth and hold a very important place in the entire process of industrial development of the country. As a result of the great rates of production of electric energy in our country, sound and healthy bases have been laid for the best utilization of our varied natural resources and for setting up a large processing industry which is being continually provided with new branches.

Another important premise for achieving the great development and expansion of the chemical industry during this five-year plan, in accordance with the decisions of the Eighth Party Congress and Comrade Enver's recommendations, is the present technological level of our chemical production, and the level of technical development of the country in general.

We must admit from the beginning that we are starting the Seventh Five-Year Plan with better conditions than in the past, both from the aspect of improved scientific level and from the aspect of a more modern technology, of more trained cadres and of a more rational and more integral processing of natural raw materials at our disposal.

This is best proven by the great industrial projects which we have built so far, such as: the chemical fertilizers plants in Fier and Lac; the calcined soda and caustic soda plants in Vlore; the copper refinery in Rubik; the electric wire and cable plant in Shkoder; the plastic plant in Durres; the paper production workshops; the workshops for the enrichment of copper, chromium, coal and other mineral ores; and, particularly, the industrial projects set up during the Sixth Five-Year Plan, such as: the "Steel of the Party" metallurgical combine; the petroleum processing plant in Ballsh; the "Light of the Party" hydroelectric power station; the urea plant; the copper casting plant combined with the production of sulphurous acid in Lac; the soda and polyvinyl resin plants in Vlore; the ferrochromium plant in Burrel; the paper factory in Lezhe; the mineral ores enrichment plant; the coal enrichment plant; and many other factories, units and industrial lines. It is known that all this constitutes not only the main pillars of our production, but also the necessary starting point for any further development of our industry and economy.

In regard to the level of the technical development of the country in general, it is worth stressing here that, along with the successes achieved by our metallurgical industry, which has started to produce cast iron, iron, ordinary and special steel, copper metal links and so forth, we have set up a powerful machine industry which, during the years of this five-year plan, will begin the production of pieces of equipment and machines on a larger scale for the construction of new lines and workshops and for the reconstruction and various expansions of the existing industrial projects. As stressed in the work of the Eighth Party Congress, our machine industry, along with the satisfaction of the country's needs for spare parts, during the years of this five-year plan, will also qualitatively satisfy our needs for machines and complete lines of a higher level of inter-connection and of completion, in order to support, in the best way possible, the construction of new projects with our own forces.

From what we have enumerated so far in regard to the factors which condition the execution of the great tasks assigned by the decisions of the Eighth Party Congress, in connection with the increase of chemical production during this five-year plan in the quantity of 63-65 percent and with the premises on the bases of which we start to fulfill the great development and expansion of the chemical industry, required by Comrade Enver's recommendations, it is clearly understood that our country has all the conditions for setting up a powerful chemical industry, with a production of various kinds, capable not only of

meeting the needs of the country, but also of competing with foreign markets in every field. Specialists in the field of chemistry, first of all, must, relying on their own forces, get down to work and struggle for the continuing invigoration and modernization of our chemical industry, thus, freeing our country more and more from any foreign dependency in regard to finished articles, preindustrial or semi-industrial products, intermediate products and, especially, "crude" raw materials which we have in our country.

In regard to the guidelines for further developing and expanding our chemical industry in accordance with the decisions of the Eighth Party Congress, first of all, it is known that we have the uninterrupted, but properly studied, increase of the capacities of the existing chemical industry activities, such as, for example: the chemical fertilizers industry for the needs of agriculture, especially the superphosphate industry, the calcined soda industry, and the sodium hydroxide, hydrochloric acid, polyvinyl resin, and sulphuric acid industries and so forth. This increase of capacities of existing activities involves the setting up of new analogous factories, together with those which we have, for increasing the production of some specific products; the increase of the processing capacities of our factories, through their reconstruction, in order to increase their production capacities; the increase of the number of new lines in the existing projects for obtaining lateral products of interest to the economy; the continuing improvement of the existing production cycle, by improving the operational units of factories and by replacing some apparatuses with some other better and more profitable apparatuses; the continuing modernization of industrial projects; the introduction in production of the achievements of contemporary technology; the improvement of rationalizations coming from the grassroots and from the initiatives of our vanguard workers; and so forth.

In the opening and utilization of this road of development, we, by progressing through difficult and long paths, have gained a great experience and have achieved noticeable successes which, in some cases, such as, for example, the setting up of the petroleum refinery in Stalin City, the increase, by about double, of the capacity of the Cerrik refinery, the construction with our own forces of the Fier refinery and the construction of the copper factory, of the mineral ore enrichment plants, and of the new sugar plant in Maliq, the construction of the second blast furnace at the "Steel of the Party" metallurgical combine and so forth, must be considered as very great achievements. We will also achieve such successes in the setting up of the lines for the production of carboxy-methyl cellulose at the petroleum refinery plant in Fier for the production of concentrated nitric acid and of oleum at the superphosphate plant in Lac, in the setting up of the new rubber plant in Durres, in the expansion of the industrial production of agricultural antiparasites and antichryptogams, in the setting up of a number of factories in the field of the food industry and so forth.

It is clearly understood that time has come to stop considering the increase of the capacities of existing industrial activities as a mechanical copy of the existing designs which were executed in our industry some dozens of years ago and which, today, are outdated technological blueprints. We understand

this road of development as a creative execution of the existing designs which have been cleansed of all shortcomings brought into the open by the experience of their operation up to now, completed with all those functional and productive changes which have become a requirement of the present conditions of our production and adapted to the conditions of the raw material which we utilize today, to the production capacities which are required of us today, and to the quality of production which is suitable for the development of our days--and where the basic characteristics of temporary technology have been taken into consideration and, eventually, represented by our designers. Today, these characteristics have been imposed on production everywhere and have become, so to speak, a necessity.

In regard to the directions developing and further expanding our chemical industry, the setting up of new industrial activities constitutes another way of development which we have not had up to now in our country. With such activities, for example, we will deal with the setting up of the antibiotic chemical-pharmaceutical industry, of the synthetic chemical industry, of the industry for the chemical processing of coal, of the synthetic fiber industry, of the industry of polymer substances in general, of the phosphoric industry in order to move into the industry of concentrated and complex fertilizers for the needs of the further intensification of agriculture, of the industry for the production of aluminum oxide and metallic aluminum from the bauxites of the country and so forth. It is understood that the problems arising from these fields are more numerous, the difficulties to be overcome are greater and the preliminary studies and experiments, at the laboratory and preindustrial level, are necessary and inevitable.

In all problems of the further development of our chemical industry, whether in the existing industry or the industry which never existed until now, it is clear that the first stage of research work is the laboratory work which, usually, is carried out in chemical research laboratories, equipped with the necessary means for the development of the research technology, in accordance with contemporary methods. The laboratory research work must fully analyze, both from the qualitative aspect and from the quantitative aspect, the elementary and componential compositions of the raw material to be used from the samples given by factories for the preliminary enrichment of raw materials; it must test and concretize the type of the industrial processing which will be adopted according to the case; it must execute the development of the reaction in the laboratory stage; it must discover and eliminate all secondary reactions which usually accompany the main reaction which is of interest; and it must determine the best conditions for the development of the reaction with the highest possible output and the shortest possible intervals of time. In addition, the chemical laboratory research work must determine all physical-chemical parameters of the product obtained in a pure state; especially, it must determine the higher and lower limits of stability of molecules toward temperature, and the behavior of molecules of substance obtained in regard to resistance to air and light, resistance to an atmosphere of oxygen and to ozone; and it must determine the reactivity toward contact with other oxidizing, reducing or neutral substances; it must determine the corrosive and toxic characteristics of the substance obtained; it must determine the danger of a poisonous substance; it must determine the pharmaceutical characteristics and behavior in biological environments; and so forth.

Only after executing these tasks, through laboratory research work, would it be possible to pass into the phase executed research work which, at the very end, leads to the designing and execution of projects for industrial activity with normal dimensions. It is known that executed research work passes through a multitude of intermediate research links, dealing mainly with unitary operations which can be executed only in special institutions suitable for research work, because, among other things, they require special research apparatuses which do not exist in ordinary chemical laboratories.

It is known that in the field of executed research work, when it is necessary to move a specific chemical process to the level of production, first of all, the pilot level, that is, the preindustrial or semi-industrial level, all unitary operations, which make up a complete cycle of the industrial process, are analyzed; the type of apparatus most suitable to every operations is determined; the material from which the apparatus will be made is also determined and its functional aspect is closely examined, calculating, with precision, at the same time, the quantities of materials and of energy that flow in every special link of the given scheme. It is known that a complete plant on the pilot level is set up on the combination of all links of unitary operations, that is, a model at reduced level of the industrial plant, set up completely with industrial materials, for the study of those aspects of the process which could not be clarified through other means. The setting up of the pilot plant, which is the basic design for the final industrial plant, not only is considered as a preliminary research activity for the final design work, but also, today, it is usually tested in 5 different dimensions, which become increasingly greater with a predetermined measurement, in order to eliminate, on time, all the functional irregularities arising from passing from one dimension into the other, getting nearer and nearer to the normal size. Only by relying on the technics of extrapolation, it is not possible to achieve a complete industrial project and to put it into operation, being sure that we will not have unexpected events which, often, prove to be very undesirable.

It is known that all processes of executed research can be tested only in institutions organized for this purpose, at special institutes for industrial research suitably equipped for the activity to be carried out. Only in such suitably equipped institutions can successful experiments be executed in regard to all the theoretical and practical problems presented by the designing, experimenting and setting up of the new chemical industry.

We must not forget that, in the same research path, the research work also examines the economic factor, along with the scientific and technical factors, because, it is known that the initiatives for every industrial achievement are conditioned by the "economic advantage." In the field of the chemical industry, it is known among other things, that the "effectiveness of the reaction" is of first-rate importance and influential in the cost of chemical production; therefore, the study in a very serious manner, of the influence of the various activating factors on it and the determining of the conditions, which lead to the best possible yields, are of particular interest. The preservation of these conditions in order to be as near as possible to the best yields, today, as it is known, is also carried out in the chemical industry by means of automatic regulating apparatuses.

One must not underestimate the influence of other important factors on the cost, such as: the speed of the reaction, the degree of purity of finished products, the advantageous utilization of the by-products of the reaction, the relative cost and abundance of raw materials, the speed of amortization of construction materials and the breadth of the fields of the utilization of finished products. This last factor, among other things, favors conversion to wide-scale large production and the utilization of apparatuses with continuing functioning.

In the present evolution and trends of the techniques used in the large chemical industry, the introduction in the chemical industry of catalytic processes, of functioning with continuing cycle, of recycling of unfinished products, of the use of the new and old physical techniques, of the use of automatic apparatuses for measurement and controlling, and of the introduction of total syntheses, in general, receive much attention from specialized research institutions.

In connection with what we have already said, it is suitable to stress that, here, priority is always given to the complex studies for the clarification of prospects for development, either in regard to the possibilities of utilization presented by our raw materials, or the main guidelines for the further development of our chemical industry. These long-range complex studies, which should be carried out mainly by specialized chemical research institutions, have the task of clarifying, as soon as possible, how the utilization of our natural resources must further progress, what new horizons would then be opened to our socialist industry in general, and what new chemical activities would be required to be developed in our country and with what priority, with what production capacities and so forth. The results of these studies would be an orientational base based on science and mainly of assistance in designing, of programming and of drawing up concrete plans, linked with the development and setting up of concrete chemical industrial activities in our country, in the present time and in the future.

As it appears, the important task assigned by the historic decisions of the Eighth Party Congress for the broad development and expansion of the chemical industry and for increasing chemical production within the framework of the requirements of the Seventh Five-Year Plan assigns many, great and complex problems to the chemistry sector because the level of the overall development of the country, where we start from today, is much more advanced compared to the past. For solving these problems, today we need a new work style, a broader horizon for examining the issues to be solved; more advanced work methods are needed, both from the theoretical and experimental aspect and from the organizational aspect. The new style in our work, which must be correctly understood by all our chemical cadres and institutions, both of the research and production fields, must be extended from the moment of examination and of distribution of the tasks, from the moment the requirements are assigned for coordination and cooperation, and from the moment of the best and coordinated use of all pieces of equipment, laboratories and special institutions established in our country to the final conclusion of the tasks assigned for solution. The directives of the Eighth Party Congress, among other things, assign

the task /of a thorough processing at full cycle of our main mineral ores,/ aiming, at the same time, /at the complete utilization of all their useful content, both of the main elements and of the accompanying elements./ This means that complete studies must be drawn up so that they will accompany the country's natural raw materials, to their enrichment and their industrial processing and to their transformation into finished products, ready for the market or for export, fully utilizing not only the main element of the raw material, but also all secondary accompanying elements which could lead to products of interest to production in general, to export or to domestic consumption. For all of us, specialists in the chemical sector, it is clear now that, in the future, we cannot speak about individual studies for special cadres. The problem of chemistry today and in the future is and will be more and more complex and, as such, it cannot be resolved by individual specialists. In regard to this, in solving of the plan tasks, the requirements of coordination, cooperation and collaboration between cadres and institutions, between ministries and government institutions (technological bureaus, research institutes) and between the institutions of the school of higher education (departments, scientific sectors, specialized laboratories) and the Academy of Sciences come, more and more to the forefront.

Those should be, in general, the achievements of our chemical sector, the tasks assigned to the great development and expansion of our chemical industry in the framework of the Seventh Five-Year Plan and the premises which are the bases for the fulfillment of these tasks and the roads through which, we believe, their examination and fulfillment will pass in implementing the historic decisions of the Eighth Congress of the Albanian Workers Party.

(Presented to the editorial office on 7 July 1982)

1950

CSO: 2100/53

CORN GROWERS MEETING IN LEZHE

AU301553 Tirana Domestic Service in Albanian 1230 GMT 30 Jul 83

[Summary] A meeting has been held in Lezhe District with representatives from 11 major corn-growing districts under the auspices of the General Council of Albanian Trade Unions and the Ministry of Agriculture. The meeting was attended by leading cadres from the district party committees and people's council executive committees, agricultural state enterprises and cooperatives, corn-growing specialists and team leaders, and trade union activists. "The meeting was also attended by Vangjel Cerava, AWP Central Committee secretary; Sotir Kocollari, chairman of the General Council of the Albanian Trade Unions; Themie Thomai, minister of agriculture; and others." Before the meeting, the participants visited the Balldreni sector of the Lezhe State Agricultural Enterprise and some cooperatives distinguished for their record in corn growing, where they acquainted themselves with the achievements of the cooperativists.

The meeting itself was held at the State Agricultural Enterprise and opened by Nimet Cani, secretary of the General Council of Albanian Trade Unions. A number of working people then reported on their particular work in corn growing and on the targets they have set for themselves this year. Comrade Vangjel Cerava drew up the final conclusions of the meeting. "He stressed that the meeting is being held at a time when Comrade Enver Hoxha's letter to the working people in agriculture has raised their enthusiasm and revolutionary fervor, stimulating them to achieve high yields in other crops, as they had in the case of wheat."

The attainment of high corn yields constitutes a very important task, he stressed, not only in order to build grain reserves, but also to strengthen the fodder base of the livestock sector where greater efforts are needed. The example of advanced cooperatives in corn growing, such as the Dajc cooperative in Shkoder District and the Vrinas State Agricultural Enterprise in Sarande District, as well as others, has become a real stimulant for achieving high results in corn growing. Modern technologies and advanced experience have been widely disseminated. There is no single agricultural unit throughout the country that has not achieved high results in one or more of its sectors and teams. This experience must be extended everywhere in order to achieve average yields of over 70 quintals per hectare everywhere. The major task now is to make certain that the crops are properly irrigated.

BULGARIA

INTERNATIONAL MOTOR TRANSPORTATION EFFICIENCY PRAISED

Sofia OTECHESTVEN FRONT in Bulgarian 8 Jul 83 p 6

[Report by special correspondents Mikhail Gorinov and Petur Moev, Vienna:
"Telling the Truth Is Mutually Beneficial"]

[Text] We have frequently met with foreign delegations who came to discuss matters with the management of our International Automotive Transportation Trust. Senior representatives of large companies and merchants from Western countries come here, to Gorublyane, to sign cooperation contracts.

The time is long past when the task of Bulgarian trucks was only to deal with Bulgarian imports and exports. Anyone today who may think that the MAT SO [International Automotive Transportation Economic Trust] and Bulgarian exports are one and the same would be profoundly mistaken. The MAT SO is an organization engaged in hauling freight by road and sea in Europe, Asia and Africa for Bulgarian and foreign customers. It is among the largest organizations for international freight hauling in these parts of the world. In the course of encounters in Western countries we have frequently heard the acknowledgment that their exports are largely shipped out by MAT SO trucks.

"There is talk of an aggression committed by the MAT SO in Europe," was the way Mr Werner Moormann, director of the Walter Company in Vienna, began his conversation with us. "I see no grounds for this. It is true that this Bulgarian automotive transportation organization is an unparalleled movement. This explains the reaction of other transportation companies and shippers in other countries, including Austria. We realize, however, that we cannot do without your organization..."

Mr Moormann described the existing reciprocal cooperation with respect and gratitude. It began in 1973, when the Walter Company organized hauling to the Middle East. The MAT SO has become "first among the first" among the many transportation-partner organizations it hires. Initially there were 100 hauls per year. Today they have reached 2,500-3,000. However, the reason for the continuing and expanding use of Bulgarian trucks by Walter is not due exclusively to the increased volume.

"The MAT SO symbolizes reliability, accuracy and impeccability in the organization of transportation activities," the company director went on to

say. "The quality of your haulage has improved substantially. No other transportation organization in Europe has such great facilities or offers such reliable prospects as the MAT SO..."

We recalled materials published in some Western newspapers, some of them Austrian, of that period. Bulgaria was being accused of all sorts of terrible sins: everything that was happening in those countries was being ascribed to us, such as terrorism, smuggling weapons and drugs and espionage with the help of Bulgarian trucks. But no single fact or counteraction taken by the authorities could support such charges.

"There have been no negative examples of our joint work so far. There has been no single claim whenever a Bulgarian truck has entered or left Austria or any other country it may have crossed," categorically stated Moormann. "I can say with a clear conscience that over the past 10 years of joint work we have exceeded 30,000 hauls without a single case of any sort of violation being recorded. Hauling forbidden goods is out of the question. I do not know where some Western newspapers and periodicals get such information. Our economy is currently in a more difficult situation than ever before, and we are relying on our cooperation with the MAT SO. It is on this basis that we are formulating our plans for the future. I have told you the truth..."

"I have told you the truth..." were also the concluding words of all talks we had during our meetings with the managers of other firms and partner-concerns.

At the Staier-Daimler-Puch A. G. we were received by Mr W. Erlich, director for exports, and Mr Hans-Peter Grix, assistant in charge of scientific and technical progress. The company was founded in 1864 in the small town of Staier in Upper Austria. At the beginning of the 1920s it merged with Daimler and Puch, and from an arms factory (as we know, its emblem is a target) it became a large enterprise also producing automobiles and tractors. Currently it employs 21,000 people in its four large plants in Austria, which manufacture trucks, engines, tractors, sports arms, all-terrain vehicles, buses, scooters, bicycles and equipment for the forestry industry.

The company's interests demand paying increasing attention to international cooperation in the production of civilian goods and the opening of new markets. This requires partners, understanding and satisfaction of mutual interests.

"We want to be Bulgaria's partners at all cost and have been making maximal efforts to this end for a long time" (from the conversation recorded with the kind agreement of the hosts).

"We consider the MAT SO a main partner in establishing relations with other Bulgarian economic organizations as well, such as Bulgargeomin, Balkankarimpeks and the Heavy Machine Building SO. We would like to sell in Bulgaria some of our products which meet the highest technical standards. We can confidently say that your country is displaying proper understanding. The talks we have held so far have been very useful and great progress has been made. This confirms that there is great reciprocal interest...Actually, I am flying off to Bulgaria in a couple of hours..."

We noted the same type of interest at the port of Vienna, which is a large European transportation and commercial center. It is also the terminal of the MAT SO, where Bulgarian trucks are parked, whether just arrived or taking off to the northwest, north or southeast. Their technical inspection and document processing are done here. The terminal provides excellent facilities for the drivers to rest and prepare for the road.

Mr Friedrich Patseyka, the port's commercial director, believes that it is suitable for Ro-Ro haulage (combined land-water-land trucking, with a most modern organization of the work introduced by the MAT SO in Europe).

"A great deal of freight gathers here from various countries, to be hauled on the Danube. Everyone would benefit if we were to build a port to handle such haulage and handling the catamarans of the MAT SO and other vessels. We are particularly interested in this, for a Ro-Ro port would provide new jobs which, considering the present economic crisis and unemployment, is of exceptional importance to us, Austrians..."

We encountered the same type of interest on the part of the management of Semperit, a world-renowned manufacturer of tires which, in addition to Austria, has branches in several other countries. The meeting was attended by Karl Steiner, the company's director, Erich Klauser and Friedrich Groeger. They were quite frank:

"For the past 3 years we have maintained business relations with the MAT SO, which to us is a large market for tires. The MAT SO has such a high international reputation that suffice it to say that it buys its tires from Semperit for other organizations throughout the world to seek us out..."

The gentlemen expressed their gratitude for the fact that the Bulgarian enterprise for international trucking helped them to establish relations with Bulgarian enterprise such as Bulgargeomin, Agrokomplekt, Balkanturist, Tekhnoeksport and others. We, they said, will try to help the MAT SO find runs. At least our own output will be hauled to the Middle East by the Bulgarians."

"The MAT SO is described by some as a specter roaming around Europe. This is indeed the case, for it has the largest high-class automotive fleet, wonderful drivers and an excellent work organization," said Helmut Friedrich, manager of the Frikus shipping company and the chairman of the transportation section of the Austrian Federal Economic Chamber. "Personally, I believe that the MAT SO threatens absolutely no one. This is a fact which we take into consideration, for which reason we ask for its services. Your company is backed by the state. To us this represents security, responsibility and high quality..."

5003

CSO: 2200/128

INTERNATIONAL MOTOR TRANSPORTATION EXPANDING FACILITIES

Sofia TRANSPORTEN GLAS in Bulgarian 20 Jul 83 p 3

[Article: "New Enterprise for Economic Trust 'International Motor Transportation'"]

[Text] Minister Vasil Tsanov and Nikolay Dyulgerov, secretary of the Sofia Okrug Committee of the Bulgarian Communist Party, broke the ground for new construction.

On 15 July this year, near Dragoman [a town bordering Yugoslavia] ground was broken for the construction of a new auto repair enterprise of the Economic Trust "International Motor Transportation" [MAT]. The celebration was attended by Vasil Tsanov, minister of transportation; Nikolay Dyulgerov, first secretary of the Sofia Okrug Committee of the Bulgarian Communist Party; Mincho Pankov, chairman of the Sofia Okrug People's Council; Slavcho Purvanov, director general of "MAT"; eminent figures from Dragoman, and others.

In his speech Slavcho Purvanov pointed out that with the construction of this enterprise the "MAT" Economic Trust will be able to meet further the growing demand for repairs and maintenance of the international transportation industry. The amount of repairs and other services, including tires, will be increased; spare parts will be produced too. The modern equipment that will be installed in the enterprise will permit the introduction of new technologies which will improve the quality of production and services. On the other hand, the new enterprise will also offer the possibility of increasing the volume of repairs of foreign vehicles passing through Bulgaria.

Minister Vasil Tsanov commended the decision to build the new repair and service enterprise and wished the investors and the construction organization fruitful work until the new enterprise will begin operation in 1985. Afterward, together with Nikolay Dyulgerov, he turned the first sod.

CSO: 2200/130

BULGARIA

AGROINDUSTRIAL UNION URGED TO BUY MORE FROM PRIVATE FARMERS

Sofia KOOPERATIVNO SELO in Bulgarian 17 Jul 83 p 2

[Article by Velichko Manchev NAPS [National Agroindustrial Union] general director: "Changes in a Positive Direction"]

[Text] The unified plan is a major prerequisite for increasing the production and purchasing of agricultural commodities from private plots. Total coordination and efficiency must exist among the NAPS units, between the Bulgarplod DSO [State Economic Trust] and the OAPS [Okrug Agroindustrial Unions] in particular.

The system of the self-satisfaction of the population with basic food products has a number of advantages, mainly the unified planning method and changes in the methods of selling produce by the public, private and auxiliary farms. Their application has increased self-satisfaction from individual settlements to entire okrugs. The stimulating influence of the unified plan and the changes made in sales planning created conditions for the discovery of additional opportunities (quite substantial) contained in the public and, above all, the private farms.

The unified plan coordinates the various interests and the material incentive of the APK [Agroindustrial Complexes] to increase the production and purchasing of the goods produced by the population. At present the APK managements allocate supplies from their own material resources (land, fodder, cattle for fattening and breeding, seeds and planting materials) to the private farmers. The public farms are becoming increasingly interested in the private plots to which they give comprehensive aid at very advantageous conditions.

The unified plan is watched and controlled not only by the OAPS and the APK but the party committees, people's councils and public organizations. Without its full implementation the task which Comrade Todor Zhiykov set at the October 1981 conference, which calls for the okrugs to meet their needs for resources through their own output, would be impossible to accomplish.

The great importance of the unified plan particularly increased this year, during which the lengthy drought (along with other adverse weather conditions) presented agriculture with serious problems. Today, more than ever before the difficulties must be surmounted flexibly and through a variety of methods and initiatives, on the basis of the unified plan. This particularly applies to

the private plots in which both unused opportunities and major shortcomings may be found.

Let us take as an example the condition and organization of the purchasing of fruits and vegetables. In a number of settlements many commodities are not purchased in full. The number of purchasing centers has remained (so far) insufficient, and achievements have remained unsatisfactory. An annual 10-15 percent increase is considered a virtual success. Not every one takes into consideration that the private plots are the subject of extensive and comprehensive care, that conditions are being created for fast increases in the volume of agricultural output and that such output considerably exceeds personal needs and is the source of additional income. Despite all this, the criteria have remained unchanged. Tradition is unjustifiably prevailing over measures aimed at purchasing maximal amounts of fruits and vegetables. In other words, the level of services does not match the increased volume of output of fruits and vegetables. This particularly applies to small peripheral villages.

That is precisely why we cannot remain satisfied with the preparations for and level of the established organization as it exists, for the time being at least, in Vratsa, Vidin, Varna, Pleven, Lovech, Burgas and Yambol okrugs. It is not a question that no efforts are being made or that nothing is undertaken in these okrugs. The point is that here, as well as elsewhere, no readiness to purchase the entire amount of goods offered by the population exists. The investigations conducted in the various okrugs proved that for a variety of reasons purchase centers have not been established in all settlements. Although we are in the active season, unresolved problems in the organization of purchasing remain.

The unified plan for purchasing and strict observance of marketing lines -- domestic market, processing or export -- offers a "field of action" to all organizations. The instructions are clear and unequivocal: on the basis of the unified plan anyone may buy any kind of product, keeping economic results for personal use but reporting them as a fulfillment of the APK plan. This stipulation is just, for it takes into consideration the interests of all organizations, makes the use of material facilities possible regardless of jurisdiction and, most importantly, meets the interests of the producer.

Achieving total coordination in relations among NAPS branches is very important. The conditions governing the purchasing fruits and vegetables should be identical in terms of prices, bonuses, grading, packaging services, transportation, etc. It would be suitable to use the "Quality Seeds and Planting Materials" NPO [Scientific-Production Trust] in providing seeds for sowing. The establishment of impeccable and efficient relations between the Bulgarplod DSO [State Economic Trust] and the OAPS enterprises. They have been entrusted with purchasing 80 percent of the planned amount of fruits and vegetables scheduled for purchasing. The Bulgarplod DSO must give a real "green light" to the fruits and vegetables purchased from the OAPS enterprises, and even priority compared to purchases from the public sector.

This year the NAPS as well is taking expanded measures aimed not at improving but decisively changing the state of purchasing activities, not only for

fruits and vegetables but for livestock products as well, for here weaknesses of strictly subjective nature occur as well. Hourly and daily schedules for purchasing are frequently violated. There is faulty grading, and discounts are high.

The frequency of reports on unpurchased eggs has increased. Naturally, the measures are not reduced only to the organization of purchasing but to improving and expanding existing material facilities as well.

It is obvious that the weaknesses related to the organization of purchasing are numerous. However, the possibilities which could be used in order to purchase all farm goods produced in the population's private plots are quite substantial. The economic organizations in some of the okrugs are rapidly adapting themselves to meet these latest and stricter requirements. The task now is for this to take place everywhere.

5003

CSO: 2200/117

SSR MINISTER OUTLINES INTENSIFICATION OF SET OF MEASURES

Prague HOSPODARSKE NOVINY in Slovak 10 Jun 83 pp 8-9

[Article by Eng Karol Martinka, deputy premier of the SSR Government and chairman of the Slovak Planning Commission: "Ways to Intensify the Planned Management System"]

[Text] While formulating a strategy for future economic developments, we must also analyze effectiveness of the Set of Measures in improving the planned management system of the national economy. We are interested in how the Set of Measures has been implemented in practice, in how effective it has been (i.e., in where it has generated economic pressure where there had been none previously, and how it did so), and in conclusion what should be carried over into the future, both in terms of short-term measures and in the sense of more long-term, fundamental changes. Practical experience has great significance for such evaluations.

Several important facts come to light when evaluating the effectiveness of the system to date.

The Set of Measures was formulated and adopted as an open system which would be systematically improved in accordance with specific developmental requirements. In this sense it follows from the concept articulated at the 15th CPCZ Congress, namely that since changes never cease to occur in economic and social development, the planned management system must also develop in conjunction with these movements.

And when, in the final analysis, the effectiveness of the system is measured by actual economic performance, the problem may not be simplified by somehow equating economic results with the economic system. We are aware that a number of other elements are operative here, such as specific problems accumulated from the past, the inertia and customs of certain sectors and people in their attempts to meet developmental targets, but also direct decision-making and the like.

In particular, however, we must be aware of how substantially current conditions differ from those under which the Set of Measures took its final form in 1980. A number of nontraditional and to some extent completely new phenomena and processes have arisen and are exerting an influence on economic performance. These are primarily external influences such as an

increase in politicocommercial discrimination against our republic by non-socialist states, the implementation of a de facto credit embargo, and a substantial tightening of the competitive environment. Internal influences, such as shortfalls in agricultural plant production and the failure to meet investment targets for the startup of new facilities are also at work. These realities have necessitated substantial administrative interventions on several occasions.

In implementing the Set of Measures we assumed that it would have a positive influence on the intensification and increasing efficiency of the national economy. In other words, we assumed that it would contribute to achieving a maximal valuation of raw material, energy, capital and labor inputs, on the one hand, and, on the other hand, to a maximization of the output of high-quality, technically sophisticated goods and services for final consumption, both in export markets and at home, while fostering the attainment of maximum production economies for these goods and services.

Five General Remarks

Despite rapidly changing and increasing taut conditions, during the past 2 years of the 5-year plan we have managed in the SSR not only to maintain, but even to increase the level of production moderately, especially in 1982, and to expand significantly the positive features of economic development. This is due in part to the implementation of the Set of Measures, the impact of which may be expressed in five general remarks:

--As a result of the Set of Measures, changes have begun to be evident in the thinking and the performance of people in the direction of greater efficiency. Questions of the valuation of raw materials and other inputs and of overall production efficiency are being accorded greater priority. Awareness of the need for export effectiveness is spreading, as is an interest in the quality and sophistication of products. It is true that this interest has been evoked largely by the desire for receiving increased wages for the collectives of a given organization, but in the final analysis this serves the good of the society as a whole. At the same time this is only the beginning of a process, because so far we have been unsuccessful in creating a more demanding economic climate, and health socialist entrepreneurship, of which Comrade Husak spoke at the Seventh CPCZ Central Committee Plenum, has been taking root only very slowly.

--The Set cannot take the place of inadequate managerial sophistication in instances of more widespread problems; it has had a greater impact in those sectors which were functioning under "normal" conditions, where a balance of stimulative and punitive measures could be implemented. We have sectors, however, where the real problems have grown beyond tolerable limits, such as in the construction industry. Here it has been necessary to cope not only with inadequate management, but also with problems stemming from past excessive invoicing. In the wood-processing and cellulose industries, problems have come from a failure to master new facilities. To a great extent, development has also been influenced by problems in foreign trade, where discriminatory measures, tariff barriers and growing competition have

resulted in deficits much greater than in the past. The system has consequently been implemented only to a limited extent, and matters have had to be resolved by special procedures.

--For the most part, measures of a short-term character have been utilized, in conjunction with possibilities for increasing profits, such as conservation of materials, cost reductions, increases in adjusted value added, overall profitability, increased quality, making designs more fashionable, etc.

--The Set of Measures has so far not had an impact on long-term effectiveness based on the implementation of scientific and technical development through more intensive utilization of production equipment, greater investment efficiency or in foreign trade.

--The weak point of the Set of Measures as a whole has been its implementation of the shop floor where performance is ultimately determined. This is a matter of its creative adaptation to the needs of internal enterprises management and internal enterprise khozraschet. In the locations where attention has been paid to these issues, such as the footwear industry, its impact has been very strong.

A critical directive in the area of increased efficiency which this economic system is assisting in implementing is an increase in the level of valuation, in other words a reduction in material intensiveness. We have made significant progress in this area. While in the Sixth 5-Year Plan materials costs declined at an annual rate of 0.6-0.7 percent, in 1982 they declined 1.62 percent. By means of this alone we were able not only to increase gross industrial production by 3.5 percent, but also to achieve an increase in net production (measured by adjusted value added) on the order of 10 percent, even with a decline in the value of the most important primary raw materials and other inputs that were processed.

Clearly a number of factors influenced this development, particularly a significant change in the sectorial structure of industry, along with direct limits of propellants, import regulation and the like. The strong stimulative character of the elements of the system was also evident, however, especially the economic incentives tied to increases in adjusted value added.

Future Motivation

The possibility of shifting a portion of conserved materials costs to wages is becoming an important motivator which is being focused for the time being on improved resource utilization rather than on purposeful technical and structural changes, reduced unit weight of equipment now being built, the use of less material-intensive technologies and the like. This is evident from the fact that materials savings are only modestly being integrated into consumption standards, since when these were reviewed during the preparation of the 1983 plan only 37 percent of them had been made tighter nationwide, with the remaining 63 percent either remaining constant or being relaxed (32 percent).

Along with the overall positive influence of adjusted values added on materials conservation, we must also be objectively aware of some of its weaknesses, particularly that it makes it possible to pay out wages for unfinished production, or rather for completed but as yet undelivered products. It will, therefore, be necessary to take steps to eliminate these elements.

The Set of Measures has had a positive impact in all areas of labor force utilization and employee motivation.

Even given the overall slowdown in the growth rate of the national economy and a softening in the material- and energy-intensive sectors, net industrial labor productivity increased 8.2 percent during the first 2 years of the Seventh 5-Year Plan, overtime was reduced 0.4 points, and worktime utilization moderately improved. Similar results, however, were not achieved in the construction sector, where labor productivity declined 2 percent.

Despite the possibility of retaining wages payable resources conserved by reducing employment, satisfactory results were not achieved in labor force conservation largely because economic incentives were implemented only at the organizational level and did not filter down consistently to divisions and those employees whose positions could have been eliminated. A partial cause was also the fear that targets would subsequently be raised and that they could not be met without increasing the work force.

The setting of wages in the form of standards tied to adjusted values added has proved a positive step. We consider the greatest problem with it to be that, despite the unambiguous wording of the Set of Measures, progress has not been achieved in the differentiation of compensation in relation to the enterprise, the collective and the individual. Some organizations, particularly in the wood-processing, cellulose and construction industries and in surface construction, again in 1982 exceeded the limits on their wages payable resources. Wage savings achieved in the other, primarily industrial sectors made it possible to adhere to the useable wage fund for the SSR as a whole and thereby create the conditions for more than maintaining the balance between personal incomes and their coverage.

There has been some reorientation of premiums and bonuses for fulfilling qualitative plan targets, with greater attention being paid to the difficulty and sophistication of the tasks. Shortcomings persist, however, in the distribution of collective premiums and bonuses for performance, in the sense that an egalitarian and social attitude prevails, especially where managerial-technical employees are concerned. Senior managers do not make use of available possibilities even for the compensation of creative employees. And although I would not maintain that the current wage system is ideal and that there is no room for improvement, it certainly provides greater opportunities for the implementation of increased differentiation and recognition of merit than is currently being taken advantage of in practice.

Certain complications have resulted from the dual system in the planning and regulation of wage resources. In particular, these have resulted from the many components that may be either added or subtracted from the basic wage, and from the implementation of a significant number of conditioning indicators. Another serious problem is the large amount of administrative work connected with wage regulation, which is excessive in terms of its economic usefulness. This issue may be summarized by stating that in the area of wages, which is undoubtedly the most sensitive of the system, many questions remain open despite certain positive achievements.

The Economics of Operating Assets

The Set of Measures has so far had little impact in the area of operating assets. The low level of efficiency of the industrial capital stock has not improved recently, nor has there been much success in achieving progress in multishift operations.

The utilization of machine work stations in industrial operations with interrupted production cycles reached 72.5 percent of the two-shift time fund, as opposed to 72.3 percent in 1980. This represents a shift utilization rate in basic production operations of 1.59. And even though specific problems have exerted a decisive influence (such as a decline in the growth rate at the same time that the construction of some long-delayed facilities is being completed), the Set of Measures has not as yet fulfilled our expectations in this area. The critical lever was to have been returned on operating assets coupled with the incentive component of wages. The economic sphere, in assuring this return on capital assets, has oriented itself primarily to their profit component, which exerts a several times more sensitive influence on its magnitude, rather than to capital assets and inventories. An overall economic climate which should have been an important instrument for the economics of operating assets has not been created.

A similar situation prevails in inventories, whose volume has increased by more than Kcs 10 billion over the past 2 years, even though some positive trends have begun to appear in the past year.

In particular, the growth of industrial inventories has basically stopped (with the exception of that part of the food industry tied to primary agricultural production), with the entire increase attributable to incompleting projects and deliveries in the construction industry and commercial inventories, which are of a different type. The link between the incentive component of wages and the return on operating assets and other measures primarily of a punitive character have not significantly affected the development of inventories. For this reason, government resolutions in July 1982 introduced further measures directed at economic incentives for managerial employees, a strengthening of the influence of interest-rate sanctions and of supplements to the wages payable resources, as well as the introduction of inventory norms.

In connection with the utilization of operating assets it is pertinent to take into account changes in the situation during their construction, i.e., development in capital investment priorities. Clearly it would not be realistic to expect that the Set of Measures would fundamentally and immediately change the inertial tendencies inherent in preparations for a construction project. Over the long-term cycle it is not realistic to expect a turnaround in 1-2 years, for instance in the area of increasing modernization, the percentage of which in industry and agriculture has not changed, representing 25-28 percent of total construction.

These remarks indicate that the basic intention of the Set of Measures, to establish an economic interest by investors in the results of a given project, has not yet been realized in practice. This is also basically true of limited construction, where the actual intention to produce an amount of these investment projects consistent with the formation of internal resources, is in reality being grossly violated due to the redistribution of profit writeoffs. More favorable results have been achieved in the reduction of uncompleted construction projects, whose level declined almost 30 percent over the past 2 years (the remains of budgeted costs for projects of over Kcs 2 million). This has come about primarily through the planned restriction of new projects, and only to a lesser extent through improvements in the completion rate of the projects themselves. The system in this area, then, has not been functioning effectively enough.

Punishing investors through penalty transfers from the development fund to the construction fund has proven ineffective under current conditions. Similar measures of the system designed to develop stimulative financial pressure on contractors to complete projects are not producing the desired results. This situation truly needs a comprehensive and fundamental resolution. A decisive step could be taken by requiring invoice declarations for an upcoming year. This would amount to a serious intervention into the entire system for the financing of capital investment and into the relations between investors and contractors. This makes it all the more imperative that construction organizations stop seeking arguments against this declaration, and that they begin in all instances to formulate in a timely and quality manner the essential requisites for making these declarations a reality.

Little Influence on Research and Development [R&D] Progress

The Set of Measures has so far had only a partially successful impact on R&D progress. Certain trends toward improvement are emerging in the growth of contributions from applied research tasks in the conservation of fuels, energy, raw materials and other inputs. The system has so far failed to stimulate a thirst for technical progress amongst producers, nor has it generated effective incentives tying the RUD base to the effects of its work.

The terms of increased technical sophistication, quality and fashionability of products, i.e., lower level innovation, there have been certain improvements; new products as a percentage of total production has increased in the areas managed by the SSR Government from 9.1 to 14.4 percent, with the

percentage of technically sophisticated products increasing almost 30 percent, making it possible to include in the first-quality category 27.5 percent of the total number of products tested at testing centers.

As a result, in the economy managed by the SSR Government alone, preferential pricing reached the level of Kcs 650 million in 1982. This level of price stimulation seems reasonable and sufficiently attractive. There are problems, however, in the unbalanced impact on specific sectors. Preferential pricing in the consumer goods industry for fashionability and luxuriousness (30-50 percent of the base price) is disproportionately high in comparison with other sectors, which may receive preferential pricing for quality and technical sophistication in the range of 15-25 percent of the base price, while still other sectors are for all practical purposes excluded from the game: foods and the pharmaceutical industry. A secondary problem is the still restricted extent of product evaluation; perhaps 40 percent of all products undergo a compulsory quality evaluation. Nor can we be content with the rigorousness of the testing centers, because on numerous occasions products marked as first quality or as fashionable are not recognized as such by foreign customers, a fact then reflected in lower selling prices.

Many VHI [Economic Production Units] have not fully formulated a comprehensive system of quality management for their products, even though measures with this objective were approved by the SSR Government as early as 1977. To sum up then, the effectiveness of the Set of Measures has not been proportional to the role of R&D progress in the national economy. We must search for new and more effective methods. This is true not only for the center, but also for the economic sphere.

National Economic Requirements

The Set of Measures has had a positive influence in all areas concerning the assurance of national economic requirements. At the same time the situation differs depending on whether one views it in terms of the overall proportions in the national economy, or of covering specific requirements in the economic sphere. In accordance with plan goals deliveries for both foreign and domestic commerce have increased, as well as those for capital investment, by 8.5 percent in the first 2 years, while the overall increase in production amounted to 3.5 percent. The directing of deliveries through the plan, by means of incentives for managerial employees as well as through economic incentives for entire enterprise collectives in the form of conditioning criteria for bonuses and allocations to incentive funds, is not yet as effective as we would like. This is evidenced by the fact that we did not succeed in overcoming problems in the fulfillment of, for instance, the projected territorial makeup for export deliveries, nor was the projected structure of deliveries fulfilled for capital investment.

The situation in the supplying of organizations with the requisite materials and products has been less favorable. The expansion of central material accounting has brought greater objectivity and reliability to deliveries of basic raw materials and other inputs, which is progress in the view of most

VHJ. The situation, however, has not improved, or only improved very little in the area of noncentrally managed goods, those controlled by enterprises. Experience has shown that the system for clarifying and formulating supplier-consumer relations has not been consistently utilized in practice, that problems at specific levels of management are not being resolved, and that more broadly speaking things are proceeding according to old, routine practices.

There has been some improvement recently in Slovakia in the area of foreign trade. Export deliveries have increased 16 percent, and the deficit balances in the relations of Slovak organizations to foreign trade have been reduced some Kcs 2 billion, while the deficit in relation to nonsocialist countries has been reduced Kcs 4.4 billion. These successes, however, were achieved at the price of a substantial restriction in imports, even though the plan for exports to nonsocialist countries was fulfilled only by 94 percent (in all-charges-paid prices), and an insufficient increase in export effectiveness.

Export performance is being strongly influenced by a number of external factors such as the general world situation, the increasing of discriminatory measures, competition, price increases, etc., as well as by our own internal shortcomings. The impact of the system here has been very much more complex and restricted. In the area of foreign trade, direct management mechanisms have so far been of critical importance. These include the plan, first of all, as well as foreign-currency measures of the bank and the like, but not economic and stimulative measures. Plan effectiveness is substantially less, however, in increasing exporting effectiveness, where its functions are taken over by stimulative financial mechanisms.

The automatic balancing of export losses or profits of VHJ from the state budget, a policy stemming from the differences between our prices and the prices realized abroad, has not proven useful. It has failed to stimulate enough enterprises toward more effective exporting, with the result that overall subsidies from the state budget increased. Thus, we had to make corrections for 1983 so as to increase pressure on export effectiveness.

Planning--Activity--Khozraschet

Similarly, the effectiveness of all three types of economic incentives for exports was low, especially in comparison with other stimulative measures, even though the criteria for qualifying on the latter are much stiffer. Foreign-currency incentives could actually not be implemented at all. These findings led to a situation in which, in 1982, the intensity of economic stimulation for exports was increased substantially, a new form of "adjusted export impact" was introduced which was a component of VHJ economic performance, and additional measures also began to be operative. It will clearly be useful to confront the views of the center with practical experiences, both from the viewpoint of the complexity of these measures and that of an awareness of their contributions to enterprise collectives.

The condition for achieving greater efficiency for the Set of Measures has been the creation of certain basic and general preconditions, especially by improving the planning process, intensifying the activity of employees and deepening the khozraschet approach.

Significant progress has recently been made in the planning process, as evidenced by decisive changes that are common to the entire economy.

Despite exceptionally complex economic conditions, the 5-year plan was formulated as the basis for organizing economic activity at all levels of management. The fact that the 5-year plan designates both objectives and the economic conditions for meeting them (norms, limits, resources, etc.) several years in advance substantially alters its position within the over-all planned management system, with it becoming a true foundation for the planned development of the economy. Given this function of the 5-year plan, the need no longer exists for developing guidelines for the annual plan, as has already been done for 1984. Rather, work at VHI and in enterprises may be organized ahead of time according to the plan, and counter-planning may also be purposefully organized. Finally, in future evaluations of work, there will be a greater need to take account of 5-year plan fulfillment.

Nevertheless there are currently differing views as to the implementation of the principles of stability of the 5-year plan. It often occurs that the plan is improperly understood, without regard for specific conditions. From the viewpoint of products as well, there is much greater stability, particularly in fuels, the energy industry, the ore-processing and brickmaking industries, than in the textile, footwear or furniture industries where we must adapt ourselves still more to consumer requirements, market conditions and the like. The stability of the 5-year plan cannot, however, be understood in a formal, absolute sense, but rather as a stability of mutual relationships between objectives and resources, as a stability of conditions under which production will take place.

The objective of the Set of Measures of shifting the focus of attention to qualitative indicators has been fully implemented. Problems are arising, however, in the specific designation of these indicators, especially at higher levels of management due to a lack of information concerning production possibilities.

To date a major task has been the refining of the state plan for VHI and enterprises. Despite frequent calls not for a mere breakdown, but for a creative adaptation of plan tasks (attention has frequently been called to this by CPCZ Central Committee plenums) according to the concrete conditions of the organization, based on a thorough awareness of its real possibilities founded not only on past experiences but on objective standards for labor and materials consumption, facility utilization, etc., sectors and VHI still frequently proceed according to old techniques, with an undifferentiated approach, which means that instead of a specified, well-balanced plan, disproportions arise. From the enterprise viewpoint, this then appears as an inadequately balanced plan, the designation of tasks using the index method,

and other well-known shortcomings. The most irritating area where this is in evidence is in the national industrial distribution system, where enterprises, VHJ, and ministries fail to specify supplier-consumer relations with the requisite precision, both at the stage of plan formulation and during its breakdown. This means then, for instance, that mutual deliveries between the forest products industry and the wood-processing industry are not specified with sufficient lead time. The same might also be true of deliveries between light industry and domestic commerce. When such instances occur, efforts that have been made get lost among shortcomings in direct managerial work.

The Set of Measures and Worker Activity

Regarding worker activity. We have recently taken many steps in conjunction with the ROH [Revolutionary Trade Union Movement) toward a proper focusing of efforts in this area and the elimination of formalism. In our opinion, the most important place for this activity to begin is in the formulation of the annual plan. The concept of counterplanning has put down roots, is beginning to establish itself and must be developed further. None of this, however, changes the fact that its contributions have been small so far, and that it has been oriented primarily toward linking advancement to increased wages. The fact remains that about 60 percent of all enterprises have committed themselves to the concept and this is a potential base on which to build. We have analyzed in detail the experiences of its application in the past 2 years and have concluded that there is no need to change the principles of counterplanning. The success of counterplanning depends on three critical factors.

1. The elimination of mistrust by enterprise employees, based on their fear that if they propose higher targets these will automatically be incorporated into plans for future years or, for instance, that they will receive nothing extra for their efforts. The existence of the 5-year plan and the norms contained therein should eliminate this fear at the level of the VHJ and enterprises. This also requires greater responsibility by the supervisory VHJ and ministries in plan formation and breakdown, and particularly the consistent upholding of their responsibilities toward those organizations which have come forth with counterplans, and not to impose their contributions on other, less progressive organizations.
2. The transmission of the rules for counterplanning, as well as the related preferences, to internal enterprise divisions.
3. To see to it that counterplanning is participated in by the managers of factories and operations, and by foremen, that is, by employees who organize production directly, and to see to it that employees of enterprise staffs create the requisite material and organizational preconditions. In other words, employees in the economic sphere face the task of making use of the experiences of the past 2 years in organizing much more purposeful work in relation to the 1984 plan in such a way as to uncover hidden employee energies.

An important precondition for the functioning of some elements of the Set of Measures is the creation of an economic environment through the strengthening of a khozraschet approach. Dependence on internal resource formation has further expanded to a part of capital investment (limited investments), and to a portion of technical development, as well as to foreign trade in cases where efficiency deviates from planned levels. In the interest of more consistent khozraschet, limitations should be placed on procedures for profit redistribution among VHI.

The strengthening of a khozraschet approach has had a positive impact on organizational effectiveness by increasing the interest in internal resource formation, as well as the utilization of these resources for limited investments and for converging operating costs. Financial problems have arisen in many enterprises. These enterprises have not yet reached the projected level of khozraschet operations and were continuing to use profit redistribution by their day-to-day operations. Reaching the objectives set by the Set of Measures in this area remains, then, a pressing task for the future.

The greatest weakness is the general lagging of internal enterprise khozraschet. Only slowly are the preconditions being established in the setting of standards, documentation, the measurement of work performance, and the transmission of objectives and resources of the enterprise to the shop floors through internal enterprise khozraschet and overall internal enterprise management. This is one of the main reasons for the unsatisfactory introduction of the merit principle for employee groups, for the still widespread anonymity and, in the final analysis, for the often unsatisfactory effectiveness of the Set of Measures.

The System and Specific Targets

The impact of this economic system on the factors influencing increased national economic efficiency has been quite disparate. The greatest impact has been on short-term factors connected with compensation, while the influence on long-term factors has been only slight. These latter areas are ones where it is essential to work purposefully, but where the impact of current actions becomes evident only later on. These are not recent findings. We have been concerning ourselves with them for some time now, in accordance with the principle that the system must be appropriate for specific tasks, and that ways must be constantly sought to improve it.

Above all, it is important to verify, through practical experiments in those sectors where the Set of Measures has not yet had much of an impact, those changes that have proved most fundamental to date so that they may be implemented in these sectors as soon as possible. Regarding conceptual work on the Czechoslovak economy, a strategy must be followed for the further development of the management system that will allow for its gradual implementation of the Eighth 5-Year Plan.

Most immediately, the entire economic sphere faces the very responsible task of preparing, with full utilization of the principles of counterplanning, the drafts of the economic plan for 1984.

By 1 January 1984, there is to be a significant alteration in wholesale prices and we are attempting to assure that the final value and material indicators of the state plan expressed in these new prices will reach enterprises by the end of this year.

In the second to last year of the 5-year plan, we must further step up the accelerated rate of economic development, continue with the progressive structural changes related to increased efficiency, strengthen the equilibrium nature of foreign-trade relations, resolve capital investment problems, and thereby create the conditions for the realization of objectives in the area of personal and public consumption.

The basis for an acceleration of the growth rate, and especially for achieving a minimum of a 4 percent increase in national income, is real growth in the capital assets of the production sphere of 8 percent, as well as possibilities for increasing the numbers of qualified employees, and other as yet unutilized possibilities for increasing the valuation of energy and material inputs.

At the same time, it will be necessary during this period to create the conditions for a more complete implementation of the Set of Measures, so as to increase the effectiveness of its mechanisms, so that it may contribute more than it has to date to the more successful implementation of the economic and social policy of the CPCZ.

9276

CSO: 2400/346

DISCUSSION ON PRICING POLICY CONTINUES

Prague HOSPODARSKE NOVINY in Czech 27 May 83 p 5

[Article by Engr Hugo Kysilka, CSc., Federal Price Office: "How to Measure Merits of Enterprises? Objective Bases of Prices"]

[Text] In connection with the criteria for measuring of merits, an extraordinary importance is attributed, both in the introductory and in the consequent articles, to price. I agree that the question of prices is one of the key questions not only in the measuring of merits but especially as a starting point for rational decision making in the process of planning and motivating economic subjects. I wish, therefore, to voice an opinion about the thoughts of previous authors on the relationship between domestic and world prices and about the possibility of further procedure in the convergence of domestic prices and those abroad.

In this connection, somewhat simplified theses are sometimes pronounced about a necessity, under the conditions of the open CS economy, to adjust the domestic price structure to the basis of so-called world prices. For a realistic judging of possible, factually applied approaches, it is necessary to start not only from practical conditions and possibilities but at the same time also from the sense and social goal which in this way can really be achieved.

Source of Information

Under world prices we as a rule understand prices for which products are available on key world markets. These available price data have therefore a specific meaning for creating a domestic price structure, especially in conditions of an economy which is emphatically dependent on imports of raw materials. The level and relationship of world prices of raw materials and their dynamic nature represent already at the present time a significant source of information for the rationalization of the domestic price structure --and that above all for two reasons: world prices of raw materials are the basis for price negotiations in trade between member states of CEMA. These prices then, in regard to a critical portion in the imports of raw materials particularly from socialistic countries, influence closely the purchasing costs of CS imports and consequently are also an important starting point for valuation of raw materials by wholesale prices. Similar approaches are valid

in the formulation of wholesale prices of raw materials imported from non-socialistic countries where current prices in world markets influence prices of imports almost directly.

The application of world prices as a common base for a formation of domestic price structure has, however, hardly any reality and purpose, first of all for the reason that equivalental valuation of production of the manufacturing industry is in principle not followed and showed in world markets. One can only presume that in open market economies a realization of basic inputs of raw materials takes place for prices near the relative world prices, and therefore also their domestic prices, with specifics reflecting mainly relative labor productivity, include and mirror these input values. A full takeover of world prices, even if it were realistic, would not even have an economic purpose because the possibility of expressing and measuring differences in labor productivity, respectively costs, would thus be abolished.

One of the Possibilities

Prices really achieved in CS exports or imports can serve as the source to be applied to the formation and perfecting of the domestic price structure. A positive argument for this kind of approach can be first of all the fact that prices realized in exports express to a great extent a social utility of a given domestic production on an international scale, and as a quantitative expression of the valuation of national labor, they can be a real source for the objectivization of the domestic price structure. Of course, even with their application, some problems of facts and methods are involved which have to be taken into consideration. First of all, there is the simple fact that not all CS production is really a subject of export; part of the production is then a subject of export only indirectly (subdeliveries, domestic cooperation).

Besides being in relation to individual territories, and even in individual contracts, prices achieved in exports are influenced by a host of factors of economic and non-economic character. In the former one can include for instance the method of sale, conditions of delivery and payment, but also transportation distances, and position in the market. To the latter belong especially business-political moments but also customs conditions and barriers and other possibilities of discrimination and preference. Under these circumstances, therefore, the problematic selection of the "right" market and, connected with this, the extent of covering a broad assortment of production is greatly needed price information.

Prices actually attained in export, and the export rentability resulting from them, should nevertheless be firmly--as the Set of Measures also directs--the basic source of domestic price structure objectivization in the export sectors and in their subdeliveries. The prerequisite is, of course, that the plan and the other instruments exercise a corresponding pressure on costs and labor productivity growth, especially through structural changes. As far as import prices are concerned, their use in the process of price formation and rationalization of the domestic price structure has been long satisfactorily established, especially in the basic material inputs provided mostly by imports.

This "onesided" application of foreign value criteria cannot, however, be a consistent solution of the problem because the input estimate on the actual or prognosticated import costs requires an analogical solution on the level of output (especially that for export) in such a way that valuation equivalence is secured, both "in input and output." With a certain simplification the problem of adequate valuation of output is centered above all on creation of harmony between the level and differentiation of domestic and export rentability of production. The facts testify that for the time being this relationship is mostly incidental and frequently contradictory. This significantly distorts even the used criteria of export advantage (incl. the comparative indicator et sim.).

Competition as a Criterion

A specific place in the information compilation on foreign prices for the purpose of rationalizing domestic price structure linked to rationalizing the structure of production programs, is taken by prices of foreign competition and their relationship in the framework of individual product groups.

Data on relations of prices in foreign competition are, in connection with the knowledge of the pertaining techno-economic characteristics of given products, a significant information about conditions of realization (assessment) of given utility value on the international market. The handling of this information by methods of techno-economic comparison offers a broad, but so-far little used, information on the rationality of technical solutions, cost proportionality and the degree of possible valuation of a given product on a competitive foreign market. In connection with the analysis and comparison of technical parameters and trade conditions, the price relationships of foreign competition are also one of the basic sources for the justification of the price level and the prices of new products.

If indeed in the conditions of a high degree of integration of the CS economy with the international division of labor, there were few rational concepts of an application of exclusively domestic manufacturing conditions and realization as price base, then it would be possible to consider the utilization of foreign value relations as a basic approach to this problem, at least in a measure corresponding with the real portion of production which in a long run and in perspective is a subject of exchange in foreign trade or may potentially be so.

In case of imported products one should further pursue a purposeful limitation of the extent of centrally regulated import prices and one should develop conditions under which the consequences of foreign price changes would fully manifest themselves in the cost of domestic producers (manufacturers).

For that part of production which is the object of export to a substantial extent, the attained prices in export should gradually become the determinant measure both for the determination of price and for the difference in rentability. It is not natural e.g. to achieve disproportionate rentability in the wholesale price in the case of highly ineffectively exported products and thus make the domestic prices cover disproportionate production costs which reduce the competitive ability in foreign markets.

It is also necessary in the price formation and price limits to make more intensive and more systematic use of price relationship in foreign competition and of available methods of technical-economic comparisons with the foreign competition. Only so can one face "innovations" already in pre-manufacturing stages, which ultimately are no contribution to an increase in export economic efficiency.

I think it therefore necessary to enforce a generally more effective critical exploitation of foreign prices and their relationships and their usage for comparisons as a meaningful viewpoint when judging the equivalence of the appraisal and valuation of inputs and outputs and thus also the efficiency of domestic production as well as in judging intentions of production specialization, capital investment et sim. In principle, it should follow that the possibilities of applying foreign price of domestic conditions or their combination as starting base for wholesale price formation depend on the degree of really materialized international division of labor, or, in other words, on the real structure of social needs and corresponding expressions of values leading to price.

A condition sine qua non for the application of foreign value criteria is a synchronization of price and exchange rate policies. The exchange rate is often simply thought to be an instrument of merely horizontal effect. In reality, though, its level and dynamics affect not only economic number totals but also the correctness of valuation of export and import from the viewpoint of individual economic subjects. In connection with a practical application of an elastic exchange policy I hold e.g. as very significant arriving also at a correct view of the development of exchange relationships in the conversion rate of Kcs, to give a new judgment on the relationship of its changes in the plan.

The introduction of previously mentioned procedures into other economic instruments requires that we achieve a desirable profit increase as a key general indicator of the results of the economic activity including results from foreign trade. A direct effect of total profit would understandably require adjusting also in a suitable way some built-in instruments of the financial-economic type of instrument of foreign trade, especially with regard to objectivization of methods of expressing real merits in the achieved results in foreign trade.

12392

CSO: 2400/317

FIRST QUARTER 1983 ELECTRONIC INDUSTRY RESULTS VIEWED

Prague HOSPODARSKE NOVINY in Czech 17 Jun 83 p 2

[Article by Miroslav Bohacek, official of the CPCZ Central Committee:
"Electrical Engineering Industry"]

[Text] The state plan for 1983 assigned to the electrical engineering industry, as to other branches of our national economy, mandatory tasks aimed at efficiency in the process of replacement, mainly adjusted value added and profitability of production assets. At the same time, material costs must be cut further and profits raised. In this conjunction, supplies for some categories of sales, for instance, market funds, investments and final assembly of the production line, have been increased. In view of the fulfillment of the plan, the ministry has an important task to fulfill the deliveries for the fuel and energy complex, particularly for the nuclear power plants, as well as for other government-controlled construction projects.

The first quarter of 1983 has shown that despite problems mainly in material technological fulfillment of the production a favorable dynamism of production had been achieved and most of the decisive indicators were met. The tasks in adjusted value added have been very successfully accomplished (102.3 percent). The most successful production unit was Tesla in Bratislava, while the Chirana VHJ [economic production unit] must step up its efforts in this direction.

In the first 3 months the production of goods was 100.7 percent fulfilled. All VHJ have met their tasks. On the whole, a sizeable part of the annual plan (24.9 percent) has been fulfilled.

Deliveries for capital investment were noticeably exceeded during the period under observation and 26.6 percent of the annual task has been fulfilled. The rates achieved in the fulfillment of this indicator and a higher share of the annual plan are in agreement with the demands facing our electrical engineering industry, mainly accelerated completion of works in certain key national economic capital investment, such as nuclear power plants.

One of the important directions in consumption concerns deliveries to market funds. This indicator must be assessed not only in terms of its volume but also in terms of the line of goods. During the above-mentioned period, the plan in retail prices was fulfilled 106.5 percent and the share of the annual

plan amounted to 25.9 percent. However, the Chirana VHJ and Tesla in Roznov failed to meet their tasks.

As for the satisfaction of demands of our domestic market, some goods, as for example, color television sets, portable black-and-white television sets and certain models of radios, tape recorders, batteries and monocells continue to be in short supply. However, the production of certain essential products and planned deliveries for our domestic market have been increased this year (for instance, tape recorders to 133 percent, batteries and monocells to 117.1 percent).

Despite such positive trends it is desirable that the measures adopted for the development of consumer electronics continue to be consistently implemented and that preconditions be created for full satisfaction of the needs. This calls above all for intensified labor and creative initiative of our workers and furthermore, for additional production of consumer goods amounting to 1 percent of total production of goods by organizations that thus far have not manufactured consumer goods.

Exports to socialist countries in fco prices were 106.3 percent fulfilled and their share in the annual plan was positive. All VHJ share in this favorable achievement; the plan to those organizations has been 111 percent to 156 percent fulfilled.

In exports to nonsocialist countries our electrical engineering industry succeeded in raising considerably its dynamism over the same period of 1982, nevertheless, in the first quarter of 1983 it was unable to meet its planned tasks more than 81 percent in fco prices. The centers of nonfulfillment were two VJH--High-Voltage Electrical Engineering Plants in Prague and Chirana. Other VHJ met and some even exceeded their tasks.

The achievement of turnover in exports to nonsocialist countries is a national economic problem which tests the professional, organizational and political talents particularly of the managers in our electrical engineering industry.

In overall assessment of the efforts the work teams in all VHJ and enterprises who continue to reduce material and total costs must be appreciated; this makes it possible distinctly to upgrade efficiency, which is reflected in higher profits; as compared with the same period of 1982, the rate of 117.4 percent was achieved.

All VHJ have overfulfilled profitability of production assets. The results for the first quarter demonstrate that the goal set for the whole year has nearly been fulfilled. Nevertheless, the effect of overestimated supplies on this year's reality must be carefully weighed by the VHJ and enterprises, and lessons must be drawn for the future, mainly in terms of supplies and maintenance of their planned limits.

For the rest of the year, workers teams must focus on the undesirable development of shortages, damages, fines and nonperformances penalties which affect efficiency in the process of replacement and which have risen 133.2

percent over the same period in 1982. Some attention is due to adopted measures concerning losses caused by inferior production which were 22.4 percent higher than in the first quarter of 1982. For that reason, one of the principal tasks is to continue improving comprehensive management systems of quality control in specific conditions of the VHJ and concern organizations in order to upgrade the technical and economic efficiency of production, to cut material consumption and imports, and to export more goods.

The results achieved thus far by the Ministry of Electrical Engineering Industry made it possible to meet the tasks for the year in most of the essential indicators. The outlook for the second 6 months assumes that the planned volume of the production of goods will be 100.1 percent fulfilled and that the anticipated share of annual tasks will amount to 50.4 percent.

In the coming period, the initial dynamism must continue and the shortcomings affecting our potential for the achievement of even better final results in the fulfillment of the state plan must be remedied. Special attention must focus on the development of every kind of accelerated processes of innovation and their expansion in the enterprise sphere in order to upgrade the technical standard and utility value of goods in the greatest amount of products.

The development in the fulfillment of the plan in the first quarter indicates that its comprehensive achievement could not be realistically anticipated without an active, truly creative approach by every employee in this branch. Consultations on coordination for chairmen of all-factory CPCZ committees and basic CPCZ organizations in enterprises and selected electrical engineering plants in April 1983 have markedly affected that activity by pointing out not only specific problems in the fulfillment of the state plan but above all the fact that our party officials and organizations in the VHJ, enterprises and plants are directing their political organizational activities and mobilizing workers teams for the best possible fulfillment of tasks in the first 6 months of the year and, thus, creating preconditions for successful fulfillment of the plan for 1983. This effort must be closely linked with systematic utilization of all factors which intensify development and with consistent implementation of the Set of Measures.

9004

CSO: 2400/354

NEW METHODS OF STARTING ORCHARD GRASS FIELDS VIEWED

Prague ZEMEDEL'SKE NOVINY Supplement in Czech 6 Jul 83 p 2

[Text] The cheapest and at the same time easiest way of improving fodder supplies is by reducing the amount of waste at harvest time and by conserving the plants used for fodder; these facts have been stressed in all the latest documents of the party and of the government aimed at the future development of agricultural production. Careful management is paramount especially at the time of the first cutting, when a majority of the fodder plants that have been growing for a number of years reached the optimum stage of maturity; this occurs within a very short time span, mostly within the first half of June.

A significant contribution to easier management in the harvesting of fodder plants is found in the humid regions by inserting early orchard grasses into an assortment of fodder plants from interspersed winter produce. For this reason the areas for sowing orchard grass have been considerably extended in recent years, though from the agrotechnical point of view a number of shortcomings still exist.

Main Problems in Cultivation of Orchard Grass

Orchard grass is certainly a successful grass, but only with sufficient amounts of fertilizer and timely harvesting. With an application of 200-300 kg of nitrogen per hectare yearly and with three or even four cutting periods the plants produce 8 to 10 tons per hectare ⁻¹ of high quality dry fodder. The yield and the quality of the fodder declines rapidly with plants that lack nourishment, but the most frequent error is cutting too late, which means a substantial increase in the amount of inedible ballast and a decline of digestible material. Even this year we have evidence that orchard grasses were harvested already in full flower, that is 15-20 days late, while it is the medium early grasses and clovers that should have been harvested.

However, problems arise even in the preparation of the fodder growing program, where it should be understood what lands and for how many years of use the orchard grass may profitably be cultivated. Four- to 5-year orchard grass fields show the highest productive output and constancy of yield according to long-term experiments in our country. These fields can be started through the restoration of meadows within the framework of a fodder-sowing procedure.

or in marginal areas beyond the usual tracts of land. For the most part we are talking about more remote pieces of land, which have a very low humus content, because they were not fertilized over a long period of time with animal fertilizer. Here it is possible to very favorably display a 4- to 5-year cultivation of orchard grass, which has an exceptionally well developed root system and enriches the soil by means of its humus. In an arable stratum with a surface of 1 sq meter orchard grass produces some tens of km of total length of fine roots. Orchard grass is at the same time a successful weed destroying plant, however during long-term cultivation individual tufts die and weeds can take their place.

Starting orchard grass fields together leads to senseless waste through the sowing of seeds, which are then often lacking in our country for additional sowing areas. According to the methods of the fodder plant program a sowing of 38 kg per hectare $^{-1}$ is projected, however in many ventures up to 50 kg per hectare $^{-1}$ are sown. With sufficient nourishment a tuft of orchard grass will occupy a surface of 100 to 200 sq cm, so that in 2 years on 1 hectare there will be 0.5-1 million of them. At the same time in one kg of seed on the average there are 830,000 grains, so that in many places 30-40 million grains of orchard grass are needlessly sown on each hectare. Moreover from customary practice it is well-known that previously fortified meadow blends with a small portion of orchard grass, after receiving substantial applications of nitrogen fertilizer for several years, changed into almost pure culture of this aggressive grass. However orchard grass does not belong among blends containing many constituents.

A Way to Reduce Amount of Seed Sown and Applications of Nitrogen Fertilizer

The results of experiments in our country with clovergrass blends, which took place on experimental fields at the Schools of Agriculture in Prague and Ceske Budejovice show that it is possible to start connected orchard grass fields more cheaply with the aid of two covering products--silo oats and meadow clover. Namely, orchard grass in the year of sowing grows slowly on the average and only reaches its full development in the third year after the start. The sowing of silo oats was 80-100 kg per hectare with applications of nitrogen of 50 kg per hectare $^{-1}$. The oats had been harvested from full sprouting to lactic maturity in proportionately moist soil. Within the clover grass blend was represented 10 kg of the meadow clover Start (5 million seeds) and of the Milona variety of orchard grass likewise 10 kg to the hectare $^{-1}$ (8 million grains). When the stubble was cut the clover dominated conspicuously and in the second year its share, with a smaller application of nitrogen ($N_1 = 50$ kg per hectare $^{-1}$), was for the most part more than 50 percent; after an application of 100 kg per hectare $^{-1}$ (N_2), however, it declined by 20-40 percent. In the third year the orchard grass had already produced a connected growth and thus the application of nitrogen had risen with N_1 to 150 kg and with N_2 to 300 kg per hectare $^{-1}$. On the average from the four experiments the yields attained were the following (at 1 ton per hectare $^{-1}$):

<u>Year</u>	<u>Type of Fodder</u>	<u>Dry Matter</u>		<u>Nitrogenous Matter</u>	
		N ₁	N ₂	N ₁	N ₂
1.	oats and clover grass	9.85	10.50	1.073	1.112
2.	clover grass	13.47	13.82	1.629	1.621
3.	orchard grass	9.75	12.03	1.183	1.598

The results of this experiment clearly show that increasing the applications of nitrogen from 50 to 100 kg per hectare in the first two years is uneconomical. On the other hand to orchard grass which had a slight portion of clover in the third year, a larger application of N was profitable both from the point of view of productivity and quality; in addition the nitrate component in the fodder did not exceed the toxic level. The productive effect of 1 kg of N calculated from the difference between the yields N₂ - N₁ attained 15.2 kg of dry matter and 2.77 of nitrogenous matter. At the same time it was shown, however, that the productive capacity of clover grass blend with an application of 50 kg per hectare was in the second year higher than that of pure orchard grass with an application of 300 kg per hectare, both from the point of view of the yield of dry fodder and also of nitrogenous matter.

Orchard grass of all the fodder grasses tolerates shade the best; it produces the largest tufts, so that the competition of the product that covers it for one year does not impede it, even the faster-developing clover, which in the second year becomes in fact the second covering material. In the third year the grass has produced a weed free connected growth, in which on 1 sq meter there were 1000-14000 shoots bound together.

The main advantage of starting orchard grass through the medium of clover grass blend is the reduction of nitrogen fertilizer. According to our analyses clover in the first two years with the aid of tumor like bacteria attracts into this blend 200-300 kg of nitrogen, which represents a saving of from 1000-1500 crowns per hectare. To the national economy this means a saving of energy with a value of 15000-25000 MJ per hectare. This method is also profitable, moreover, from the viewpoint of fertility and diversification of products. After the shallowly-rooted oats follows the deep-rooted clover, which digs nutrients from the arable land and stimulates microbial life in the soil.

In contrast to the existing method of starting orchard grass monocultures with an equal number of orchard grass seeds it is possible to sow almost four times the surface area. However, even with a lack of meadow clover seeds it is not necessary to waste the orchard grass seeds. In order to prevent an infestation of weeds with a reduction in sowing of orchard grass it is possible to add to this grass the cheaper, and after the sowing, faster growing ryegrasses, the best is the Italian, but the persistent ryegrass (the English strain) also proved to be good. Even with these blends we sowed 10 kg of ryegrasses to 1 hectare. In the first 2 years the orchard grass successfully

resisted even the most aggressive tetraploidic varieties of the many flowered ryegrass (the Italian).

With a blend of meadow clover and orchard grass it is profitable to replace the customary meadow blends on 25-30 percent of the surface during the restoration or new starting of meadow grasses, the lifespan of which is planned for 4-5 years. From a societal point of view and according to the plans of the Central Committee of the Czech Communist Party it is necessary that these verified results of research be carried out as quickly as possible and on the broadest scale.

12313

CSO: 2400/362

ENVIRONMENTAL EFFECTS ON SPRING BARLEY YIELD DISCUSSED

Prague ZEMEDELSKE NOVINY Supplement in Czech 6 Jul 83 p 2

[Text] In the Agricultural News of February 12 of this year a paper was published on spring barleys, in which the reasons for the sluggishness of the yields of this grain in recent years were discussed. One of the main reasons stated was the unsatisfactory composition of this variety of grain for the changed growing conditions over the past years. Acidic and slightly acidic soil has increased, and barley has not become well enough adapted to the contemporary soil conditions.

It is true that of all grains barley is the most sensitive to acidic soil. In our country we have relatively sizable areas of podzol soils. Many sandy soils and soils of volcanic origin are acidic. A significant factor, which further increases acidic soil is the widespread use of large applications of effective fertilizers, especially those containing nitrogen.

Harmful Action of Acidic Soil

...Is connected above all with the secondary effects of acid and not directly with the toxicity of high concentrations of hydrogen ions. Above all it depends on the chemical composition of the soil, in which toxic effects are most important in the presence of a low pH. In the majority of mineral soils there is the effect of a large concentration of aluminum ions and to a lesser degree of manganese. The aluminum content of soil varies and depends on the type of soil, the calcium content and other such factors.

The toxic effect of aluminum is manifested above all in the slowing down of the growth of roots, so that the young plants are not capable of taking root, for the roots penetrate barely a few centimeters onto the soil. Under natural conditions, especially in dry weather, plants perish from lack of water and nutrients. For this reason it would be advantageous for the agrochemical laboratory of the ACHP, as one of its activities, to continuously observe the development of acidic soil and to take measures to duly prevent it.

Effect of Dryness and High Temperatures

A high level of acid in the soil is not by any means the unique stress factor which negatively affects yields. In some years there is for example

a low tolerance of many varieties to dryness and high temperatures. Thus for example last year, when during the vegetation period there was a below average rainfall and above average temperatures, the Opal variety produced the highest yields in the Czechoslovak Socialist Republic. The same situation was repeated with a very dry and hot year (1976), when this variety was tested at way stations and of all those tested the newly improved ones decreased their yields least.

Being true to type is very important; the property, which stabilized Opal's yield was evidently transmitted by its unique heritage; it is a Palestinian barley, which originated in a region characterized by high temperatures and dryness. On the other hand the Opal variety cannot tolerate low temperatures during the vegetation period, it reacts to them with a low yield. This characteristic is also the reason why this variety did well in Hungary, our neighbor to the south, where it was placed in certain districts. On the other hand, it did not do well in Poland and East Germany, our neighbors to the north.

It is however startling that the results of practice do not correspond to the results attained in varietal tests. Especially striking is the information about the yields per hectare that were attained in the Soviet Union, where the Opal variety was conspicuously the highest yielding last year, whereas in tests done in the Ukraine it yielded only 93 percent on the average of all the varieties tested. It would be necessary to do some hard thinking about this paradox, since the results of the Ukrainian tests are conclusive for the standings of the varieties and should correspond to the results of practice.

Fertilizers with Excessive Nitrogen Content

A powerful deviation from the optimum standard of each vegetational factor in the environment affects the stress reaction of all plants. From this common characteristic of stress it follows that we can consider also as a stress factor the use of excessively high applications of nitrogen fertilizers. This factor seems to be the main reason for the unsatisfactory yields of barley.

Barley has this biological peculiarity that within the framework of its potential for producing it demonstrates the ability to realize a specific yield with the lowest applications of nitrogen. This property is not for the most part taken into account; on the contrary disproportionately large applications of nitrogen produce stress phenomena in barley. One result for example of such applications is that the growths strongly slant toward the earth.

Barley is sensitive not only to large applications of fertilizer, but also to the method of its application. Old experiences from practice confirm that barley uses nutrients from vigorous old soil much better than it accepts a direct application shortly after sowing or in the course of the vegetation period. (See for example the treatise of Prof. RNDr. Z. Lastuvka, DrSc., "The Plant and Ions" in the magazine VEDA A ZIVOT part 2, 1983.) Along these

lines agricultural research is greatly indebted to practice. This follows from the problem of whether it is possible to start small parcel comparison tests with applications of various amounts of nutrients, which have already been added in the fall. For verification of the partial results of research in this case it is necessary to institute more operational tests.

The stress effects of large applications of nitrogen on existing varieties compel researchers to make the effort to improve varieties with straw that is 20-25 cm shorter than in varieties of the diamond series. Selection is accomplished by means of large applications of nutrients, which are for contemporary strains which already have stress factors, and consequently a declining yield. Varieties of the new type will signify an improvement only if the yield increases adequately with a higher level of nourishment. Otherwise at any price we would strengthen the tolerance to the artificially created stress effect.

From these conclusions the first-rate lesson of good farmers is not to create stress conditions, and in so far as they have been created, they should be abolished. It is an erroneous conception to assume that improving the tolerance to stress effects will become a cure-all with the abolishment of their negative effects on the yield. We still have not been successful in improving the variety, so that it would completely eliminate the unfavorable effects of the environment, and for this reason if we want to attain constant and at the same time high yields, we must always bear this in mind.

12313

CSO: 2400/362

HUNGARIAN-AUSTRIAN AGREEMENT ON INSPECTION OF IMPORT-EXPORT MATERIALS

Budapest MAGYAR HIRLAP in Hungarian 13 Jul 83 p 5

[Article by Karoly Ban: "Nondestructive Tests"]

[Text] Bilateral Austrian-Hungarian agreement was signed yesterday in Budapest on mutual acceptance of the training and qualification of persons performing nondestructive material tests.

One year ago at the world conference on noninvasive material testing held in Moscow the international leadership body recommended that the member countries enter into bilateral agreements on mutual recognition of the training of technicians. The Austrian party approached its Hungarian partners at this meeting and referring to the existing extensive international trade and cooperative links between the two countries, suggested negotiating a contract as soon as possible. Negotiations soon began and hardly a year later the document was sealed. According to university professor Dr Tibor Konkoly, the leader of Hungary's delegation, this cooperative contract is of pioneering significance.

"We must start out from the point that the noninvasive material testing methods are gaining popularity all over the world, and became popular especially with the radiological and ultrasound tests. But the differences in national specifications and the differing levels of technical training made and still make economic cooperation between the various countries difficult, and the differences between national measurements gave and give reasons for arguments during the course of cooperative projects and shipments. This is why attempts have been made for international standardization."

Two Years Waiting Period

"Professor, what advantages can Hungary derive from the just concluded contract?"

"This agreement makes economic contacts between the two countries easier, simplifies shipping across the border, decreases costs, makes it possible to exchange trained personnel, for Hungarians to accept jobs abroad; it can make competitive business negotiations with third countries more advantageous; and receiving educational experience may further raise the quality of training of the domestic material testers."

At this time 900 people have ultrasound and 1,900 have radiological material testing qualifications in Hungary, but we must add that three levels of training have not yet been established in our country. (Those who have the "basics" are in the first level; in the second level the students receive certificates for "independent" testing; and in the third level the training authorizes them to organize and direct independent studies. According to this contract Hungary has received a two year grace period to train its technicians to the three-levels of qualification.)

According to information received from Imre Kiss, head of the department of methodology at the Industrial Technician Advance Training Institute: noninvasive material testing is extremely important in the domestic quality control procedures and are indispensable in international trade. Material testing methods are generally used to qualify structural materials, castings, welding seams, sheets, and bridge structures. To simplify it a little, the present agreement has more than negligible benefits. That is, if it so happens that our country is sending something to Austria, the Austrian partner does not have to send a material testing technician to Hungary in order to accept the product the Hungarian partner can perform the test and according to the contract the Austrian partner is required to recognize and accept its results. But this agreement also makes it easier for Hungarian citizens to accept jobs in Austria, since the foreign partner in this way accepts the material testing certificate.

Successes that Can Be Reached

The economic significance of this agreement is in the fact that it makes the preparation of negotiating further bilateral agreements possible both within the CEMA and on the capitalist market--Imre Kiss continues--, primarily with the countries that have cooperative relationships with our country. I am referring here to the GDR, Czechoslovakia, and to the FRG and Switzerland. All these, I feel, would help to further strengthen our international technical credibility. This is the kind of pioneering work which has led to an internationally significant result in the area of noninvasive material testing, and which calls attention to this: similar successes can and must also be reached in other areas of the technical and economic life.

Beyond general experience the construction material industry can also benefit from this contract since as a result of expanding economic cooperation between countries with the same and countries with different social systems, the workers and engineers of more and more countries are performing construction and installation work in other countries, for example, Hungarian firms also in the neighboring Austria. Mutually honoring the national certificates authorizing nondestructive testing by the two countries also makes this cooperation easier and simpler for them.

8584

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REPORT REVIEWS EXPERIENCES OF SMALL BUSINESS OPERATIONS

Budapest HETI VILAGGAZDASAG in Hungarian No 30, 23 Jul 83 pp 34-36

[Report by Peter Szirmai: "The Green-With Envy Factor"]

[Text] The real conflict in the assessment of small businesses is not among the supporters of the different directions in which small businesses should be developed further, but between those who want to proceed further and those who do not. Among other things, this is the conclusion drawn by the author of this article on 18 months of experience with small businesses.

With a bit of exaggeration we could say that the number of surveys, articles, essays and debate contributions on small businesses is beginning to approximate the number of small businesses. An indisputable advantage of these different approaches is that they are helping to form a realistic assessment of the small businesses, and to dispel the initial illusions and the unfounded expectations. For as we read in the report submitted by the executive committee of the Budapest MSZMP Committee: "Extreme views also have been formulated, and especially during the first months there were those who saw in this the threat of a reversion to capitalism and feared for our socialist conditions. Others regarded the enterprise form of organization as inflexible, and the new organizational forms as flexible. Several people predicted a rapid regrouping of the labor force, and unwarranted differentiation of incomes. The experience to date with the formation and operation of the new forms of entrepreneurship does not confirm these assumptions."

Opinions still differ even today on one of the most essential questions: Who is a small entrepreneur, and what is a small business? If we accept the strict criteria of a study prepared by the Labor Research Institute (Munkaugyi Kutatointezet)--an entrepreneur is a person who produces goods and provides services for others as his principal occupation, investing and risking his own capital and deciding independently how to operate his assets and allocate his profits--then the finding of the study written at the institute seems justified: "The employee's strategy, rather than the entrepreneur's strategy, is typical of the overwhelming majority of the cases." On the basis of these criteria, for example, we would exclude from among entrepreneurs the members of all the enterprise business work partnerships [EBWPs].

According to the strict criteria, there are fewer than 10,000 entrepreneurs even today. If we relax the criteria and include also those who are not

yet risking their livelihood but "merely" their extra income, who have not invested capital but "only" their know-how, and who are operating not with their own capital but with capital that has been lent or made available to them, then even so the number of entrepreneurs does not exceed 60,000 to 80,000 or 1.2 to 1.6 percent of the economically active wage earners. Exact production value data are not yet available, but--according to estimates--the entire sector's production value does not exceed 0.05 percent of industrial production.

An accurate estimate is rendered difficult by the fact that very often not only the assessments but also the available data differ. On the basis of a study prepared by the Ministry of Finance Main Directorate of Revenue--according to an article published in FIGYELO--"more than 3500 enterprise business work partnerships and specialized industrial cooperative groups were formed last year . . . by the end of the year." According to a bulletin published by the Central Statistical Office, however, 3252 EBWPs and specialized industrial and service cooperative groups were formed by 31 December 1982.

The system of statistical reporting and the reports of political bodies regard the small companies and the subsidiaries as small businesses, but researchers who approach classification scientifically are unanimous in their agreement that these two forms are neither businesses nor small in size.

Neither the number of businesses nor the volume of their production warrants the special interest with which the press and public opinion have been following the small businesses. Striking, of course, is the counterargument that an expert formulated as follows at a session of the small business section within the Hungarian Chamber of Commerce: "The small business could act in the economy's organism the same way as yeast in dough. But not even this explains fully the reception with which the small businesses have met in the press and in public opinion. Then what could the explanation be? First of all, it will be worth while last year's data on the more important forms of small business. (See the accompanying chart. We left out the small companies and subsidiaries not for the mentioned theoretical considerations, but because only four small companies and 25 subsidiaries had been formed by 31 December of last year.)

Several other factors, and not primarily the rapid growth rate, deserve special attention. A small business, even if conducted as a supplementary activity, offers wide room for personal initiative. At the same time the small business legalizes, makes controllable and taxable, an activity that up to now was concealed and illegal. At an OVK [National Management Training Center] conference, Istvan Marko, deputy chief of the MSZMP Department of Economic Policy, expressed the importance of this as follows: "The unclarified status of the second economy, its mixture of legal and illegal activities, has caused numerous negative phenomena. However, the channeling or curbing of these activities not by economic but by administrative means has created a seller's monopoly in many instances."

By forming a large number of organizations of small and medium size, small businesses are helping to make the overcentralized domestic enterprise organization healthier. At the same time the small businesses--since in principle they are able to adjust more flexibly to the market--can relieve shortages on the market. At several enterprises, the activity of the EBWPs in 1982 did

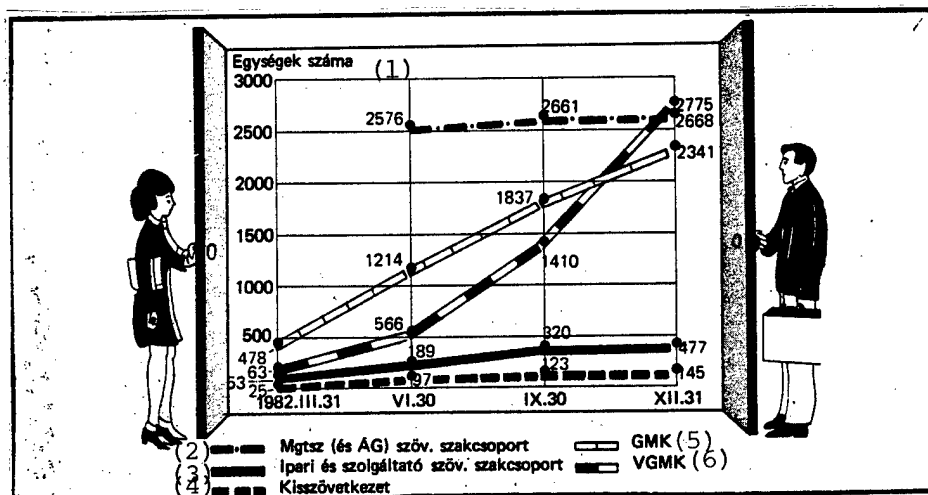


Figure 1. The number of small businesses on 31 December 1982 (without the four small companies and 25 subsidiaries).

Key:

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|--|--|
| 1. Number of units | 4. Small cooperatives |
| 2. Specialized cooperative groups of agricultural cooperatives and state farms | 5. Business work partnerships |
| 3. Specialized industrial and service cooperative groups | 6. Enterprise business work partnerships |

not reduce perceptibly the number of outside contractors, but the operation of the EBWPs enabled many enterprises to free and use significant investment capacity despite a declining work force, and in addition to handling maintenance. Elsewhere the EBWPs are helping to resolve bottlenecks and are enabling the parent enterprise to replace suppliers or cooperating partners.

At the National Management Training Center Conference, Finance Minister Istvan Hetenyi said: "The new regulations governing small business are intended first of all to ensure the better utilization of the available factors of production, and to improve supply of the population's demand." The experience of the Danube Iron Works confirms this objective. A report on this question states: "The productivity of labor within the EBWPs is frequently higher by between 30 and 200 percent than the productivity of labor performed during regular hours." With their organization adapted to the job on hand, and with the discipline of voluntarily undertaken work, the small businesses are raising productivity and efficiency, but they are also calling attention to mistakes and lack of organization in the enterprise's management.

Many counterarguments also have been advanced during the past 18 months, and in the final outcome they too are a cause of the special interest or an indication of society's increased interest. But just as in the case of the favorable experience with small businesses we listed only what can actually be encountered, also in the case of the counterarguments it is worth considering only the ones that are not inspired by fear but wish to call attention to actual threats to society, harmful side effects and outgrowths.

The small business often leads to an excessive lengthening of the working time or specifically to concealed overtime. A few enterprises are using their EBWPs merely to circumvent wage regulation; they are paying out additional income without additional performance. We find the following in an investigation report of the Ministry of Finance Main Directorate of Control, prepared at the beginning of this year: "While recognizing the usefulness of the work performed within the EBWPs, about 10 percent of them are deriving unearned income in varying amounts." The unplanned and unsubstantiated outflow of additional income could cause shortages in the market on the one hand, and on the other hand it excessively intensifies the mood against the social differences that are becoming conspicuous as a result of additional incomes, the mood against income differences. At the same time the small business might generate not only progressive but also paralyzing tensions within the enterprise, by undermining the other forms of stimulation and creating tension between workers with different chances of earning additional income. In other words, it introduces the green-with-envy factor. A report by the Borsod Chemical Combine, which otherwise comes out in favor of small businesses, warns: "The time requirement of the additional work and the differentiation of incomes are loosening interpersonal relations and are causing a rivalry for which it is difficult to find an outlet."

The various assessments agree on the usefulness of small businesses, and there is also no dispute on the need to continue to give the green light to private initiative in its many, legally regulated forms. But there is by no means such consensus on the need to develop small business further, and especially on the directions in which they should be developed. The desired alternative of further development depends mostly on which institution prepared the given concept.

The highest organs and bodies that make the decisions are advising caution. It is only natural that the operation of small plants is raising problems. Some of these problems will be solved in the course of practical operation. Others will have to be corrected through appropriate regulation if the undesirable effects of the processes intensify. But this is possible only on the basis of suitable experience, and it will require deliberate preparations.

For the small entrepreneurs this caution is both favourable and harmful. It is favorable because the original package of decrees is basically in place. (Let us recall that, according to a law-school dissertation, more than 600 different statutory regulations, generally restrictive ones, were issued during the first 18 months after the agricultural cooperatives were permitted to engage in ancillary production.) Thus entrepreneurs will not lose their sometimes still shaky confidence in the stability of their opportunities. But at the same time it is harmful because also statutory regulations are being delayed that would further relax and streamline the system of conditions under which small businesses operate.

There is a study that recommends the establishment of commercial banking to remedy the indisputable capital paucity of small businesses. Even a study by the OTP [National Savings Bank] admits that the present practice of providing credit is rather cumbersome, lengthy and rigid. But the fact should serve as a warning that in the questionnaire survey conducted by the small business section of the Hungarian Chamber of Commerce, many of the small entrepreneurs

requested that they be allowed to purchase the machinery and production assets that the large enterprises scrap. This request is logical, and even justifiable in view of the fact that the sale of scrapped machinery is almost unknown in practice. But this is not a question requiring statutory regulation, because the law not only permits but directly obligates the enterprises to sell their scrapped equipment if possible, and to sell it as scrap iron only if they are unsuccessful. Thus it would be sufficient to implement the regulation that is already in force.

It may be regarded as natural that the small entrepreneurs themselves are the most radical in seeking ways for further development. So far they have had very little institutional opportunity to safeguard their interests, and this in itself is a question that awaits solution. But when they are given an opportunity to be heard—for example, in the mentioned questionnaire survey conducted by the Hungarian Chamber of Commerce, or at the regular briefings held by the Ministry of Finance Main Directorate of Revenue—they come up with many proposals. Some of these proposals are taken into consideration already in the course of preparing the official decisions. For example, it is really difficult to understand why every member of an EBWP must have a certificate of good character. And it is questionable whether the 40-percent corporation tax on civil-law partnerships is always warranted, in view of the fact that this is the only legal form that permits a person and a legal entity to form an association for the advancement of their business objectives. The restrictions posed by customs regulations, and the difficulties encountered by small businesses when they wish to participate in foreign trade also were voiced before various forums, as were several trade organizations' "internal regulations" that discriminate against small businesses.

Yet the real conflict is not among the various studies and proposals that are seeking the various directions of further development, but between those who wish to proceed further and those who do not. Numerous institutions do want to provide room for individual initiative in the spirit of the party resolutions, but in many places conservatism and backwardness, dressed in a professional or moral cloak, defeat the new initiatives. However, this is true not only in conjunction with small businesses, but with the entire process of socioeconomic reform as well. The following lines from a study by Terez Laky express an essential relationship: "The socioeconomic objectives associated with small businesses are a part of the various programs intended the increase the economy's willingness to adapt."

1014

CSO: 2500/370

RESULTS OF INVESTIGATION OF SMALL BUSINESS ACTIVITIES RELEASED

Budapest HETI VILAGGAZDASAG in Hungarian No 30, 23 Jul 83 p 35

[Article by Agnes Tibor: "A Study of Small Business"]

[Text] On the average the sales revenue of an independent business work partnership and an association with rights as a legal person was 1.3 million forints in 1982 in the conclusion arrived at by the Capital City People's Control Committee (FNEB) as a result of a study which it made in 7 districts of Budapest at 90 business work partnerships and 10 associations. (These make up almost 10 percent of the businesses belonging to these two types.) Of these 30 percent work in industrial, 27 in construction industrial and 42 percent in other--primarily intellectual--activity. Producer type small businesses are few in number--and only 2 of the 100 studied deal with hoped-for import replacement and the manufacture of items that are in shortage, and most of them--93 percent of those studied--fulfill public orders. The small businesses formed to meet demands of the population manufacture chiefly women's and children's clothing, or were organized for sport instruction. The report regarded as especially useful the few business work partnerships that do house maintenance, and also those which perform maintenance and renovation work in response to IKV [Real Estate Management Enterprise] orders and in the final analysis on behalf of the population.

The study had interesting data on the prices set by small businesses that were studied, and on their income. According to the opinion developed on basis of the views expressed by those making the orders, the small businesses undertake and fulfill work with a 40 to 50 percent shorter deadline and at a 20 to 30 percent cheaper cost than state enterprises with a similar profit. "It provides food for thought," commented Gyorgy Hajdu, deputy chairman of the FNEB, "that even under such conditions certain small businesses make a profit that is disproportionally large as compared to the work put in." Often a 200 forint hourly wage could be reckoned. In some cases this put the bases of the prices charged by large enterprises in doubt. Opposite kinds of cases also occur--the report points out--and prices calculated on the basis of specifications by units doing construction implementation and renovation do not cover expenditures. Some small businesses have to make out fictitious bills in order to cover actual costs.

The monthly income after taxes of the small businessmen who were studied was around 6,700 to 10,000 forints (including part-time participants) but some

small businesses did not divide up all the profits, and in this way--according to the report--average annual income was 20 to 25 percent higher. Income from part-time intellectual activity on the average exceeds 6,000 forints. In addition, the report states that in case of 90 percent of the small businessmen, the work that is put in is proportional with income.

The study also included whether the small businessmen are performing full-time or part-time activity, how much money they have invested, and how they obtain their business and their information. Forty-four percent of the small businessmen studied were performing full-time activity, and 56 percent were part-time participants. As Gyorgy Hajdu specially points out, the capital invested was less than expected: those performing intellectual work only 5,000 to 10,000 forints, and economic units in physical work 20,000 to 25,000 forints. It is true, however, that in exceptional cases there were small businessmen who contributed 150,000 forints per person. The small businessmen obtain their information and frequently their orders at their main-activity--or former--work place.

The report mentions several problems that the small businessmen feel they have.

Rentable premises are few, the licensing procedure is complicated, the records and accounting system, the National Savings Bank and the Hungarian National Bank do not offer cash-saving methods (cash against document accounting) for conducting the money flow of small businesses, registry court activity is rather long drawn out, small businessmen do not have an interest representational organ, and information is lacking on entrepreneurial statutory regulations and price formation principles.

The FNEB report called on the appropriate ministries and institutions to remedy the causes of the complains. It added that the control work of the councils must also be strengthened since the additional work related to licensing can only be done at the cost of control work if the number of council workers remain the same.

The study also extended to the activities of the traditional small businesses--artisans and retailers. The more important statements of this section are that the entrepreneurial spirit has also increased in this area, due chiefly to private taxi cab drivers, but tailors for men and women, shoemakers, and iron locksmiths not only failed to increase in number but declined by 4 to 6 percent. The deputy chairman of the FNEB also regarded it as important to point out the report statement that the increase in the number of retailers in technical--primarily autotechnical--items unfortunately did not match the expansion in supply, although prices are driven up by the fact that 80 to 90 percent of the goods of these retailers are acquired from state trade. This affirms what is already well known--namely, that in this area the main problem is not the lack of sellers but of goods.

6691
CSO: 2500/371

ECONOMIC RELATIONS WITH INDIA DISCUSSED

Warsaw TRYBUNA LUDU in Polish 7 Jun 83 p 6

[Article by Krystyna Szelestowska: "Polish-Indian Economic Relations; Catch Up to That Train"]

[Text] What is today's state of relations between Poland and India? This question of mine is being answered by our commercial counselor in New Delhi, Mr Slawian Krzywinski: "It's not bad but it's not good either, and certainly it's not adequate either to our possibilities or, even more, to our big present needs. We are somewhat like a passenger who missed his train and is trying now to catch up to it."

In order to understand such an opinion one has to have a look back. India is a subcontinent, a country over 10 times larger than Poland, 20 times more populous, and, what from our viewpoint is most important, it has huge wealth and resources. Among these: chromium, magnesium, aluminum, iron ore. India has also what interests us particularly, i.e. various agricultural products: fodder, fats, rice, tea, coffee, cotton, etc. Besides, this large country on the Ganges River, where there are still inviolable sacred cows walking down the most elegant streets of the capital, built during the period of its independence a modern industry, including heavy, electric machine and electronic industries. Their activities are based on the most advanced technologies and licenses purchased from leading western manufacturers. These industries export a lot, largely to demanding markets of the industrialized countries. India can supply them with a lot of goods that are either denied to us presently by the West or we do not have hard currency to purchase them. We have so-called clearing agreements with India, i.e. we trade merchandise for merchandise.

One more thing, brought to my attention in New Delhi: in spite of the worldwide economic crisis and India's own difficulties caused to a large degree by heavy oil bills, the Indian government is not giving up further development and modernization of its economy, including development of many industries. Local firms sign therefore about 400-600 cooperation agreements annually.

That's why geographically-distant India was, is and will remain for us a very attractive trade partner. But mistakes were made in the past. Excited

about cooperation with the West, we lost at a certain point a big chance as well as what had already been achieved. We simply neglected that important market.

We had in our mutual relations a period of very intensive trade exchange and cooperation. The results are visible to this day in many states, in many regions of the country. In the 1960's, for instance, the Ursus company made a cooperation agreement with the Escort company. Consequently, our factory shipped here 4,000 tractors as well as parts worth 40,000 assembled tractors. Exporting such a number of agricultural machines would be definitely impossible without a cooperation agreement. This is at least the opinion of our businessmen, and they do have inside information on the Indian market. Within 20 years Escort became an important exporter of tractors. Its cooperation with Poland is being continued. Then, an agreement was signed concerning another type of tractor. We are thinking, I am told in New Delhi, of selling tractors together on other markets. India has extensive contacts with developing countries, and an excellent access to the Far and Near East. We have then a chance to sell together (and this holds not only for agricultural machines) in areas where by ourselves we would not be able to penetrate and break through the heavy competition. Whether or not we are going to take proper advantage of this chance depends upon Polish industry, and in this specific case--upon Ursus.

Ursus is precisely an example of a lost chance. Preoccupied with Ferguson, it did not pay adequate attention to the "Indian" partner. The Czech Zetor entered the market instead and made here a hit or at least big money. Something similar happened with motorcycles. Our SHL, known here as Rajdoot, was the first motorcycle to be made in India. But we failed to take advantage of this opportunity. The market is dominated now by the Japanese.

Twenty-five years ago Polish industry shipped to India the first coal-mine installations. Cooperation in this field thrived. The Poles were highly thought of for building the completely mechanized Monidih coal mine. The mining industry constitutes our strong position on this subcontinent. Just as does the power industry, with which we started here in the 1960's. Our ships also gained esteem. A long time ago we made ourselves known as exporters of industrial goods. However, in the 1960's, most of our exports, i.e. 70-80 percent, were bulk products, mainly cement, sulfur and urea. When, after the oil crisis, freight rates skyrocketed, Poland stopped being competitive. We were driven out of this market by suppliers from much closer countries: India's neighbors and Persian Gulf states. In the mid-1970's there was a first slump. The turnover plummeted to the level equaling 30 percent of the best cooperation period. The second slump occurred in 1981. It was then that the shipments of the earlier ordered ships ended, and the disordered Polish industry failed to meet its obligations.

The worst, this trade "bottom," seems to be behind us, I am told at the Commercial Counselor's Office in New Delhi. Last year saw an approximately 50 percent increase in our exports, in comparison to 1981. But they totaled only \$55 million. Our debt amounts to approximately \$40 million, half of

which we want to pay off this year. The fact that 90 percent of our exports consist now of industrial installations should be considered a success. There has been then a favorable change in our export structure. Polish foreign trade companies started striving again for the Indian market. The Elektrim company, for instance, is successful in exporting factory power plants, like a 300 MW one for Bihar recently. Other contracts are being negotiated. Efforts are made to include also private businesses among the Polish power industry's customers. The same is true of the coal-mining industry. India produces today 120 million tons of coal and is planning to increase this output to 160 million tons in 1985. It is a chance for us. All the more so that we have in this field a good reputation on the Ganges River. We keep shipping our installations, and our specialists work here. In Ramghar, for instance, our experts have been commissioned to search for methods of saving the city which is collapsing, due to mining accidents.

According to the Commercial Counselor's Office the following can be other pillars of our exports: merchant vessels, trawlers and Cegielski engines, since after a lot of efforts this last business managed to reenter the market.

What we get for our exports is merely a drop in the bucket of our import needs. We made recently a few exchange transactions which were important from the standpoint of our country's industry, for instance Polish cement was sold in exchange for Indian cotton. But our manufacturers are waiting for much larger supplies of cotton as well as for jute and hides or mica. Our agriculture demands oilcake, pulp and other feed. Grocery store customers are looking for tea (of which we imported from India last year a record 16,000 tons for about \$27 million), spices, coffee, not to mention Indian clothing and leather products which are available only in commission second-hand stores at exorbitant prices. We can have all of this if we export our goods. India is interested in clearing-type cooperation since it does not have foreign exchange. This market cannot be treated though as one of minor importance; we cannot take an interest in it just from time to time.

In my New Delhi hotel I met many businessmen from the East and from the West. All of them came here to sell their merchandise, to offer supplies. The Indians watch, evaluate and select offers, not always those most expensive and modern but always--reliable. And they have a high opinion of reliable, unchanging partners. If, in the long run, Polish businessmen and manufacturers take seriously the Indian market, we can do good, mutually profitable business there. If, on the other hand, we do not make this export effort, we will never catch up to that train. And we will lose once for all an interesting in every respect and important trade partner who might replace for us quite a number of western suppliers using sanctions and restrictions against us. Others will be then eager to take our place.

12471
CSO: 2600/1089

DUAL NATURE OF INFLATION UNDER SOCIALISM REEXAMINED

Warsaw ZYCIE GOSPODARCZE in Polish No 25, 19 Jun 83 p 13

[Article by Henryk Fiszel: "The Devil Should not Be Cast Out With the Help of Beelzebub"]

[Text] A great deal has been said and written recently about inflation, a real inflation of words on this subject! This category, intended in the past for foreign use exclusively, has been completely adopted in the set of concepts of economists studying socialist economy.

It was heresy to say that inflation also occurs in our economy, too. On the other hand, the deeper these processes bored into our economy, especially in the 1970's, the deeper we hid our head in the sand.

I experienced this ostrich policy myself when, in 1978, I tried--unfortunately somewhat late--to place an article in GOSPODARKA PLANOWA entitled "Inflationary Processes in the Economy of Poland." After much hesitation the editorial staff decided to publish this work, but under the title of "Price, Processes, etc." However, since no effort was made to remove the obscene word "inflation" from the text, the article did not finally appear in that publication until 1981. This was already the proverbial mustard after the meal. There was general talk of inflation, it ceased to be a taboo word and unfortunately the word achieved great success.

However, permit me to return to the content of that article, because there are constant changes of opinion on this question, both in official statements and in economic publications. Perhaps the delayed mustard can be used with today's meal.

In this work I tried to show that inflation in a socialist economy, in contradistinction to a capitalistic economy, is rather two-faced, as a result of two forms of manifestation.

At the time I wrote that in the capitalist system, where prices are generally not stabilized and where the market is not usually balanced, the only measure of inflation is the extent of increase in prices, counted from one period to another.

In our economy, in which prices have been static for a rather long time with the market usually unbalanced, inflation reveals itself mainly in the monetary sphere, in an excessive amount of money in circulation.

In 1970-1976 the average degree of inflation, taken as a measure of price increases, was relatively insignificant and amounted to approximately 2.8 percent annually.

On the other hand the second form of manifestation of inflation began to be threatening. As could be seen by my figures of the time, in accord with the accepted statistical method, the inflationary gap increased by the sum of 123.3 billion zlotys in 1970-1976. It corresponded more or less to the sum which the state budget annually allocated for financing the deficit of enterprises producing goods for the people.

The economic crisis, which abruptly exploded at the beginning of the 1980's, is expressed, among other ways, in both forms of inflation. Prices rose and at the same time there was a sharp increase in the total inflationary gap, hideously named the "inflationary overhang," which is currently estimated at approximately 500 billion zlotys.

In particular prices rose drastically in 1982. To a great extent this operation was necessary, in consideration of the fact that the majority of prices was totally divergent from the costs, as a result of which the general subsidy system had to be extended for an intolerably longer period.

Some economists are happy that this increase in prices has caused the real value of the inflationary overhang to drop by half.

This is true, but it is only an illusion, because all economic activities have two sides, a measurable one and an immeasurable one.

If, for example, state budget revenues increase in connection with increased sales of alcohol, this income item is substantial. On the other hand the purely economic losses, not to speak of social losses (absence, drop in work productivity, treatment costs, and so on), are not so perceptible.

In our case as well the immeasurable economic losses, resulting from devaluation of the currency through the increase in prices, are certainly significant. Every price rise undoubtedly gives another twist to the inflationary spiral and stimulates its rise in the private sector in particular, a widespread demand for wage increases not covered by increased supplies of goods, a drop in work productivity and so forth.

By this I do not mean to say that prices should absolutely be frozen, but rather that this should be done wherever a partial balance can be achieved without major negative results. In my opinion it would be most advantageous to give raises of this kind in the form of an objective turnover tax, which

would mean that these funds would go directly into the budget and would not be dissipated in the enterprise abysses. I shall return to this problem in a later part of this article.

The dual nature of inflation, of which I spoke above, and the blending of these two concepts often engenders, even in official utterances, such monstrous statements as, for example, "It is not necessary to conquer inflation by means of price increases." This sentence makes sense if it is understood in such a way that it is not necessary to reduce the so-called inflationary overhang raising prices. To speak figuratively, the devil should not be cast out with the help of Beelzebub.

Thus the question comes down to how to emerge from the crisis into which the country has plunged, as a result of which there are deep inflationary processes.

It is assumed, among other things, that the effects of the crisis must be borne by all of society, but especially by the more affluent. And this is proper, but under our conditions it is extremely difficult to decipher the addresses of the affluent and the less affluent. It could have some effects, but they would be far from satisfactory for recovering any kind of balance.

The main emphasis in the anti-inflationary program should be placed, in my opinion, on applying reason to the economy and on making certain structural changes in it.

As we know, the main characteristic of the current crisis is a drop in production caused by a lack of raw and other materials for the processing industry. Particularly in short supply are power, materials and spare parts, especially those which are imported, as a result of the well-known difficulties in the balance of payments. In connection with this we have a catastrophically low exploitation of production capabilities with---what a paradox!--full employment, and even a labor shortage occurring here and there.

This situation is forcing the government to maintain distribution of some raw and other materials until the end of 1985. Since according to reform regulations distribution must continue to be an element of central control, let it be an "enlightened" distribution, by which it is to be understood that the allocation of resources should take place in the sense of the principle: "Optimum management is achieved by concentrating assets in such a way that a given outlay will produce the maximal degree of goal accomplishment, or concentrating production in such a way that the goal is achieved with the least outlays."*

*Henryk Fiszel: "Effectiveness of Economic Policy and Management System," University of Warsaw, Department of Economic Sciences, 1979.

If we translate this into practical language, it means that scanty supplies of raw and other materials, instead of being divided in small amounts to each, should be concentrated in those factories which produce the greatest results. On the one hand this is a simple matter, because there are free production capabilities, enabling free maneuvering with these assets, but on the other hand difficulties are imposed from the standpoint of economic technology, to say nothing of certain social consequences.

The distribution of homogeneous production or of similar products, in the sense of this principle, does not produce any special difficulties. Here it is obvious that raw materials should be distributed in such a way that priority is given to the most efficient factories, those producing most cheaply, and those using up the least amount of a given raw material per unit of production. Then we come to less efficient factories, until the limits of a given raw material are exhausted.

Finally the form of government orders issued should follow this same rule. This means that these orders should be placed with the most economic factories. Such an allocation of assets should lead to additional production with the same amount of raw materials.

As the minister of materials management, the steward of raw materials, power and so forth, has said, the most energy-intensive and raw material-intensive industries will be deprived of their supplies. This means that the sword will not be wielded blindly, but that every decision of this kind will be supported by competent technical and economic expertise.

In this way rationalization of production should be thrust to the head of the antiinflationary program, because it arouses least social antagonism. It is, so to say, indifferent with respect to class or group. All other measures must be instigated at the cost of one group or another.

In the government anti-inflation program, the supply side occupies an important place, especially in the field of goods earmarked for the populace. In principle this is proper, but let us observe that not every increment in production acts to combat inflation and aims at restoring the balance. A generally compulsory directive in this measure should be the following: Input, or the so-called contribution of raw materials and work, should be less than the output, that is, less than the value of the manufactured product. In any other case such an increment in production will not only not combat inflation, but will actually deepen it. Therefore it seems to me that, within the framework of making the economy more logical, it is important to research the marginal costs in many branches of industry and in individual factories. It is also important to establish the point above which production is unprofitable because it has an inflationary effect.

In extreme cases it happens that every branch of production somehow devours the accomplishments of another. Such production should be absolutely dropped.

If for some considerations it is necessary to continue such production (for example, where its lack would cause even greater losses), it is important to be aware of the costs of such a decision. Among other cases, this can happen when the complete costs of a given product in a newly constructed building exceed the extreme costs in the old building. Even in coal mining, which is a main source of foreign exchange income so necessary to the economy, there should be research on how the cost of obtaining \$1 is achieved in marginal mines or in their branches. In these extreme cases it should be determined whether it is worthwhile to insist on Saturday extraction, when the costs are considerably higher.

Therefore rationalization of production should be made in a dual way: directly when distribution is maintained, and indirectly by economic measures when there is a free flow of resources. In this area the authorities should act with thorough resoluteness and without bending to any pressure.

Of the two evils, economic coercion is better than other forms of coercion.

In the field of streamlining the economy, one of the most essential problems is improving investment activity, which is indeed already limited. However, it cannot be allowed to fold up completely. We know that in the past irreparable mistakes were made. Therefore their repetition must be avoided. This means a concentration of depleted resources in the most advantageous investments. Thus the main task is not to diffuse the resources, which was the capital sin of the past period. In this connection I would consider it beneficial for the entire sum of amortization deductions for at least a transitional period to be concentrated in the Polish National Bank. It would distribute these resources among enterprises in the form of credit for various purposes in accord with the current monetary situation.

This would also prevent the preservation of old and obsolete industrial structures and the dispersal of resources to less effective methods of production in enterprises already existing. The bank would act in the sense of the principle of proceeding from the most effective investments to the least effective ones, until the limits for these goals were exhausted.

In my opinion such centralization of amortization would not harm enterprise self-dependence. They would not be restricted in competing for credit necessary for renovation and new investments.

Rationalization of the economy, and especially of the dominant socialized sector, requires the formation of a proper price structure and a concomitant tax system.

The far-reaching price changes occurring in 1982, as we have already said, drew the prices closer to the costs from which they had been disengaged for years and years. As we know, today in an enormous number of cases prices

have deviated from the costs, and in the wrong direction. Here I mean that prices excessively exceed costs. It appears that this phenomenon occurs mainly in the prices for means of production to which public opinion does not react, as it does in cases of price increases for the people.

As we know, three kinds of prices function in a parallel way: official, controlled and contract prices. There is undoubtedly a minimal difference between the controlled and the contract prices, because the former are established by the enterprises according to rules established by the State Price Commission. But who can penetrate the maze of costs and check on whether these rules are being observed? In addition, there is certainly some freedom in setting them.

Some prices contain the turnover tax and others do not. This is the tax predominantly found in the prices for finished products, mainly consumer items, but there is no strict rule for this. It seems that it would be most beneficial to have a price system which would universally include the tax in all phases of production in the form of an intermediate tax on a given value, a tax which the customer would naturally pay.

There are two reasons why such a price system would be optimal:

--the price relationships would be close to the labor outlay relationships. The current system of collecting the turnover tax has greatly distorted these relations, and

--a tax collected in this way would be the most definite way to supply the state budget with income from enterprises. In contradistinction to this, the income tax is a difficult way of exacting some of the enterprise profits and gives fiscal authorities a headache, not only in our country but throughout the world.

A significant part of the potential tax is dissipated in the enterprises for various purposes, mainly not economically justified. A tax on a given value would have a deflationary effect.

The countries of the European Economic Community predominantly use the so-called VAT [Value Added Tax], not in sympathy for the theory of value of Karl Marx, but for its benefits. Many economists believe (and I used to be one of them) that the turnover tax should be exacted in the final phase of production, or even in turnovers, since the factual realization occurs in final production. At present, under the conditions of enterprise self-dependence, I do not believe that this opinion was correct. In addition the opinions expressed above should prevail in favor of universal taxation.

It is not necessary to convince anyone of the importance of regularity in economic processes. This phenomenon has two aspects: "cost" and economic balance.

There is no doubt that the cost of production, turnover and the costs of economic development as a whole are lower when the processes proceed at an even tempo. Any disturbance of the tempo causes achievement of a planned goal to be more expensive. As we know, another sine qua non for economic balance is regularity in all economic processes. Thus let us assume that the balance of income and expenditures of the people guarantees full coverage of demand in a given period, but with the supply of goods on the market being irregular and uneven. It turns out in this connection that shortages occur and consequently the balance is disrupted. These shortages, however obvious (transitory), are transformed into real shortages because a purchasing psychosis becomes manifest at such times, exceeding factual needs, which disrupts the balance even more. As a result the real shortages which occur are intensified by the apparent shortages, and thus the well-known mechanism of market stresses comes into being.

It is clear that in the current crisis situation, where cooperation and supply are utterly disrupted, it is difficult to talk of regularity in the production and turnover sphere. But there is one field where, despite the crisis, regularity can be observed, where no additional expenditures are required but only proper organization. This concerns the flow of payments for various reasons, primarily for wages and social benefits, where this flow can take a more or less regular shape. In this area a basic role is played by the Polish National Bank, as the bank of issue, controlling the main flow of money into circulation.

There is no question that the proper organization of the monetary system and the method of creating money by the issuing bank requires that the average state of issuance be as low as possible and that its level remain at a more or less stable level at all times.

Of the many factors determining the correct issuance level, two are of particular importance: the time between two successive payments, constituting the remuneration for various groups of people or regular income and the regular arrangement for these payments made by the bank. Even payments of a naturally irregular nature, for example, for the purpose of agricultural products, can be given a somewhat regular shape by making payments on precisely defined days.

I have written on this subject a number of times. Unfortunately the Polish National Bank does not appreciate this problem. A shining example of this was the payments at the end of 1982, when an enormous flow of extra money was put into circulation for bonuses, supplementary awards, pensions and so on. Without going into whether these payments were justified in these amounts, it must be stated that the mighty mass of money which appeared in circulation at the same time must have exerted a shock on the market, a purchasing psychosis. All of this intensified the general lack of balance and inflationary pressure. This process and such harmful phenomena would

have been considerably milder if the payments had been spread over a longer period. The undoubtedly higher costs, borne by trade and transport in connection with the peak imposed on them, are not without importance here.

In conclusion I would like to mention that I have dealt with other problems concerning, among other things, limitations on the flow of money in circulation, in an article entitled "If Only I Were a False Prophet..." (ZYCIE GOSPODARCZE, 20 February 1983).

6806

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BLACK-MARKET HARD CURRENCY EXCHANGE RATES ANALYZED

Warsaw HANDEL ZAGRANICZNY in Polish No 5, May 83 pp 20-22

[Article by Pawel Wyczanski: "Black-Market Exchange Rates of Foreign Currencies in Poland 1980-1982"]

[Text] The basic and direct cause of the formation and existence of the black market in Poland (as well as in many other countries) is control of hard currency flow among the population (the problem of control of hard currency in foreign trade is irrelevant to the present discussion). Control of hard currency flow has existed in our country since the 1930's. Its essence lies in the fact that official grants of foreign currencies are too low or accessible to fewer than is necessary to satisfy social needs. The second factor is the tendency to hoard exchangeable currencies (mainly dollars) resulting from the lack of confidence in home currency. The demand for hard currency is also influenced by the level of supplies of goods in the home market, and especially of industrial goods, including imports.

Two new elements appeared some time ago, which must be taken into consideration when the situation in the black market is analyzed, namely: internal export, i.e. sales of goods, often foreign, for hard currency and PKO vouchers representing hard currency paid into banks, in an independent commercial network at home, as well as hard currency accounts where money can be paid in various forms, without the need to prove its sources and (until recently) considerable opportunities of using the hard currency savings.

Chronologically, the oldest factor influencing the market of hard currency turnover is hoarding. The tendency to hoard hard currencies (mainly dollars) has been demonstrated by the Polish population since at least the moment of gaining independence. This was connected with considerable emigration from Poland to the United States, with the aid sent home and with reemigration. The financial crisis and hyperinflation of the Polish mark in the 1920's strengthened the belief that Polish currency was weak (despite the fact that after the financial reform the Polish zloty was a fairly stabilized currency). The German occupation and extensive black market, financing the fight against the occupier with

sales of dollars, pounds and gold, maintained the attachment to foreign currencies. After World War II the problems of rebuilding the economy and mobilization of all the means available did not favor the consolidation of confidence in the zloty (especially the conversion of money in 1950). Each consecutive economic crisis weakened the confidence in the zloty and caused increased hoarding.

Thus, the economic crisis visible to everyone in 1980 as well as the new political situation after the August agreements had to influence the market of illegal hard currency turnover. There was an increase in hoarding purchases. A public discussion on the state of the economy, the ways of coming out of the crisis and the economic reform was begun. Especially the problem of reforming retail prices was discussed extensively, which made many people attempt to secure themselves against the future drop in the purchasing power of the zloty. Also massive purchases of goods from shops started in anticipation of a decrease of supplies. As the reserves were diminishing and the production going down, the supplies were indeed decreasing further, which increased the anxieties. The amount of money in circulation that was not covered by goods was growing. The decisions about raising prices were delayed for political reasons. Payments in advance were introduced for some industrial goods, including cars, to absorb the money. The difficulties in delivering the basic necessities were growing and a control system was introduced late (in May 1981). Some articles (e.g., detergents and articles of personal hygiene), which were not available in the market, began to appear as a result of imports outside the plan (realized by private people or delivered in parcels) and they were offered at very high prices in private shops. This import did not have great significance in the whole of market deliveries, but due to high gains from sales of foreign articles in relation to the costs of purchase in dollars, the demand for hard currency in the car black market was growing. Since the mid-1970's it had not been balanced: the current production and imports of cars did not satisfy the demand of the population and the divergence between the retail and free market prices was growing. Hence retail of cars in internal export was of considerable importance. It served the purpose of acquiring additional hard currency from the population. The prices of cars in dollars were so calculated that they were lower than free market prices, if counted according to the black market exchange rates, i.e., so that the relation resulting from comparison of the free market prices and the hard currency prices was higher than the exchange rate in the black market. This could not have failed to influence the level of the exchange rate. The changes in this exchange rate, caused by other factors influenced, in turn, the retail of cars in internal export causing, e.g., a decrease of demand when the exchange rate was too high.

Retail of home made spirits in internal exports could, similarly to car sales, influence the level of the exchange rate (in 1981 the total value of these sales was 82 million dollars). The demand for them grew especially after the retail prices in zlotys were changed, while the hard currency prices remained on the same level. During the second half of 1981 and the first half of 1982 the demand for spirits in internal export grew because of lower, controlled sales in zlotys.

The turnover on hard currency accounts of physical persons was varied in the years 1981 and 1982. The total turnover (deposits and withdrawals) on these accounts was over 1 billion dollars in 1981 and in 1982 it was over 60 percent less. Table 1 below presents the structure of the deposits and withdrawals on hard currency accounts in the PKO SA Bank (which accumulated three-fourths of the total deposits).

In 1981 the main position among deposits on hard currency accounts were cash deposits of hard currency made in Poland (their sum total dropped by almost two-thirds), constituting almost 71 percent. Their sum total decreased ten times in 1982 and their share in total deposits to less than 18 percent. Also deposits resulting from money orders and realized checks from abroad decreased by 44 percent, but their share in the total of deposits grew from 12.5 percent to 19.8 percent. On the other hand, the sum total of interest grew very significantly, by 63 percent and, consequently, their share in the sum total of deposits grew to 22 percent. The sum of deposits decreased in 1982 by two-thirds as compared with 1981. Among the withdrawals the greatest changes occurred in withdrawals to be realized in internal export, i.e. in PKO vouchers. They were seven times higher and their share in the sum total of withdrawals grew from 3 percent to 64 percent. The withdrawals destined to cover the costs of travel and stay abroad, on the other hand, dropped by 87 percent, decreasing their share in the sum total of withdrawals even more considerably from 51 percent to 16 percent. In 1981 approximately 310 million dollars were paid with this aim in view which, among other things, was the result of interest in trips to capitalist countries with various aims in view.

Table 1

Structure of deposits and withdrawals of physical persons in hard currency accounts at the PKO SA Bank in the years 1981-1982 and the growth of individual positions turnover.

Specification	1981	1982	growth /+/ or drop -/- in %
Deposits	100.0	100.0	-65.1
Cash	70.8	17.8	-91.2
Interest	4.8	22.4	+63.3
Money orders, checks from abroad	12.5	19.8	-44.9
Transfers from accounts of internal export	0.3	0.8	-0.2
Transfers from home institutions	10.1	36.0	+24.5
Others	1.5	3.2	-26.2
Withdrawals	100.0	100.0	-59.9
Transfers abroad	2.2	1.3	-75.6
Realization in internal export	3.3	63.8	+673.6
Covering the costs of travel and stay abroad	38.2	1.8	-98.1
Withdrawals in cash			
Withdrawals in zlotys	0.8	2.4	+23.1
Others	-	14.3	-

Source: author's own calculations based on the PKO Bank reports.

The changes in the structure of turnover on hard currency accounts in 1982 presented above were mainly caused by the blockade of cash withdrawals from these accounts and restrictions on the right to travel abroad. This caused a considerable decrease of cash turnover, the balance of which was, as a rule, active. In 1981, the increase of deposits was exclusively the result of added interest payments and in 1982 the interest added limited the drop of the sum total of deposits. This demonstrates that the institution of hard currency accounts has ceased to fulfill its assumed goal of acquiring hard currency credits from the population and it is a burden to the balance of payments. For the state payments in PKO vouchers mean a change from a more profitable form of deposit to a less profitable one of selling goods which are bought mainly abroad.

Changes in the exchange rates of the black market became visible at the end of 1980; as compared with the July level, the exchange rate of the dollar grew by 5 percent in November 1980. This growth was caused by social tensions connected with the registration of NSZZ Solidarity, increased hoarding and lower supplies of hard currency in the black market, caused by fewer arrivals of people in Poland. In December 1980 the exchange rates of the dollar and PKO voucher were over 7 percent higher than in July the same year. The demand for PKO vouchers was additionally increased in connection with sales of home made cars in internal export.

The growth of black market exchange rates accelerated significantly since the beginning of 1981: in January it was influenced by the conflict around free Saturdays as well as an increasing demand for domestic spirits in Pewex. Then in March there was a threat of general strike connected with the Bydgoszcz conflict and the price of one dollar grew by 20 percent as compared with July 1980 (it reached 170 zl.) The demand for hard currency was increasing which was caused by intentions to open accounts in order to secure the means for foreign travel (cash deposits for the three quarters in 1981 were 32 percent higher than in the same period of the previous year and withdrawals during the whole year were twice as big than in 1980).

Thus, while in previous years the exchange rate of the dollar usually lowered in the summer months because of the increased supply of hard currencies bought from foreign tourists*, in 1981 a smaller tourist movement and strong demand caused its further growth. In July 1981 the exchange rates for the dollar and PKO voucher were, on the average, 90 percent higher than those 1 year before (in some transactions they were twice as high). In August of the same year, after the failure of talks between the representatives of the government and NSZZ Solidarity a subsequent jump of the black market exchange rates occurred: by that time it was already 160 percent higher than in July 1980 (Periodically even three times as high). The growth of the exchange rate was additionally

*It is estimated that in the years 1978-1979 hard currencies exchanged in the black market by foreigners from capitalist countries amounted to the value of 200 million dollars.

influenced by the announcement about price increases. The prices of bread and products made of flour went up by 2.5 to 4 times, providing an example of the scale of future price movement.

No signs of improving economic situation, anxieties, and the mood of uncertainty (the national congress of NSZZ Solidarity, student strikes) as well as expected general increase of the prices of food and industrial products maintained the demand on a high level and the growing trend of the black market exchange rates for the dollar and PKO voucher. In November 1981 the highest exchange rate was noted: it was four times as high as that of July 1980. In the middle of December 1981, after martial law was imposed, the turnover of the black market decreased considerably. There was no telephone communication and hence information on the exchange rates of the PKO voucher could not be spread easily. The blockade on cash withdrawals for home use as well as considerable restrictions on foreign travel significantly limited the demand for hard currency. The black market exchange rates began to drop gradually: in January 1982 the exchange rate for the dollar dropped by 20 percent as compared with the rate of December 1981. After the retail prices of food and a number of industrial articles were increased the demand for hard currency in the black market dropped again. The level of exchange rate became more dependent on the prices in internal export and their relation to prices in zlotys in the free market. The dependence between the prices of spirits in Pewex and in the free market is an example of this. When the limitations on selling spirits were partly removed, the price of the PKO voucher dropped and in May 1982 reached its lowest level (350 zl). In June and July the growth of black market exchange rates began again. The direct cause of this was the announced sale of home made cars (Fiats 125p and 126p, as well as Polonez) in internal export for so called mixed prices, i.e. partly for zlotys and partly for dollars or vouchers of the PKO Bank. The comparison of the free market prices of the car with that in internal export indicated the latter to be profitable. For the "big" Fiat this relation was 490 zl/dol. and for the "small" one--445 zl/dol. while the exchange rate for the PKO voucher was 380 zl/dol.

In October 1982 there was another increase of black market exchange rates, which could have been caused by an increase of demand for hard currencies from people who intended to take advantage of the new ruling on hard currency accounts*. These regulations, among others, increase the amount of cash that can be withdrawn to pay for a foreign trip (although it is accessible only to a small number of people) and they allow those people who deposited hard currency after 14 October 1982 to use their savings freely. In general, there was an increase of cash deposits on hard currency accounts during the fourth quarter of 1982. This did not change the fact that during the whole year there was a drop in the total amount of deposits. Thus the effect of the new ruling was weak and the increase of interest in deposits was insufficient to evaluate the results of this move univocally.

*The ruling of the Minister of Finance and President of the National Bank of Poland of 4 October 1982 on introducing further possibilities of using deposits kept on hard currency accounts of physical persons--hard currency Poles (MONITOR POLSKI No 213, 1982).

At the end of 1982 the exchange rate for the PKO voucher and dollar reached the level of 440 zl, which was the result of fears of price increases in the coming year and constantly recurring, though officially denied, rumors about the possibility of a conversion of domestic currency. Thus, at the end of the year the black market exchange rates reached the same levels as they had in January 1982.

The analysis of the situation in the hard currency black market in the years 1981-1982 leads to the following conclusions:

1. In 1981 a very sharp increase in the black market exchange rates of the dollars and PKO voucher occurred: from July 1980 until November 1981 it was fourthfold; in 1982 the rates dropped slightly.
2. The causes of the growth of black market rates were: the economic and political crisis, collapse of domestic market supplies, fear of inflation and the drive of the population to protect itself against it (while the cost of living grew by 160 percent in the period of 1980-1982, the black market rates grew by 250 percent).
3. The demand by people intending to pay for a foreign trip (to stay for good or buy goods) as well as a decrease in supplies of hard currency as a result of limited arrivals in Poland of tourists from capitalist countries were significant causes of the growth of rates in 1981.
4. In 1981, because of the high exchange rate of the PKO voucher and lack of many goods, sales in internal export decreased, while imports outside the plan increased; in 1982, on the other hand, withdrawals for internal export became the main position in the sum total of withdrawals from hard currency accounts, sales in internal export grew, to a great extent due to offers of cars for mixed prices; very low deliveries in the car market and rapidly growing free market prices were taken advantage of here; a car became one of the best hoarding goods for people having sizeable amounts of cash at their disposal; the nominal value of the car does not drop despite its wear.
5. During the period of 1981-1982 there was no clear, cohesive influence of the state on the hard currency black market; in 1981 withdrawals from hard currency accounts were limited (sometimes explained by technical reasons); after 13 December 1981 the turnover on these accounts was blocked (cash withdrawals and foreign trips); in internal export the sales policies were dominated by the drive to acquire the highest possible sum of hard currencies; with this end in view, cars and spirits were offered and imported meat products were introduced in Pewex; it seems that no attention was paid to the fact that black market rates were being stimulated. The results of the ruling by the Minister of Finance mentioned above are--as far as the growth of cash deposits is concerned--not very apparent so far.

EFFORTS TO RESOLVE CONSUMER PROBLEMS REPORTED

Activities of Consumer Department

Warsaw TYGODNIK ROBOTNICZY in Polish No 25, 19 Jun 83 pp 8, 9

[Interview with Janusz Osuchowski, director of the Department for Cooperating with Consumers of the Ministry of Domestic Trade and Services, by Grazyna Garlinska; date and place not specified]

[Text] Today, a client has thousands of causes for complaints. He is aggravated by rationing, harrassed by the rude personnel of the stores, and clobbered by the shortage of goods, and by their quality and prices. The purchaser feels totally helpless in the face of these burdensome things.

But at the same time, it is worth knowing that since 1977, a Department for Cooperating With Consumers has been in existence at the Ministry of Domestic Trade and Services. Well, is it possible for a wronged customer to find help here?

We discuss the activity of the department with its director.

[Question] Do you feel that you are needed?

[Answer] I suppose so. This is attested to by the letters from consumers, in which they ask for help. We receive a dozen or so daily.

[Question] What do the customers call to your attention the most?

[Answer] The majority of the signals are complaints about the quality of various articles, especially footwear and furniture. This is valuable material for us. For it is our task to collect information concerning the quality of goods, to analyze them, and to undertake activities guaranteeing better and more complete satisfaction of the demands of consumers.

[Question] From what you said, it turns out that the department mainly keeps check on quality. Well, it seems to me that it has a field of activity that is a trifle constricted. State control and other forms of sales, and also the level of services in the stores also should not be a triviality for you, since they are not a triviality for any customer.

[Answer] It is a fact that we concern ourselves only with quality, although customers write to us also about the burdensome conditions of making purchases, and about various restrictions on normal sales, which take place in individual provinces. However, we direct all such signals to the appropriate departments, since dealing with them exceeds our area of activity. Of course, at times, we attempt to suggest something, for example, in the area of state control. We are quite well aware of the fact that it is leading to corrupt practices and waste, and is contrary to the spirit of reform, that it forces demand, that it paralyzes trade, etc. However, we also see the other side of the coin, or the necessity to continue the ration-card system until the economic realities change. The decisions concerning state control are taken, as is known, at the highest level, and here, we are able only to submit our opinion. We also give our views in other matters, striving in that manner to stimulate the very departments of the ministry into some sort of action.

Within our field of competence is something more, that I forgot to mention, which is the handling of claims. Customers who are dissatisfied with the decisions taken by enterprises can appeal directly to us.

[Question] In what way do you help them? All in all, you cannot force independent self-governing and self-financing enterprises to do anything....

[Answer] Well, we are not forcing them to do anything. We try to operate by way of persuasion. We suggest to an enterprise that a matter be decided on in such a way and not some other way. We ask that consideration be given to aspects that had been omitted in our opinion. We also make it understood that if the customer "goes" to court and wins, the enterprise will bear higher costs than if it settled the claim favorably. Although the problem of claims has had its own legal regulations for a long time, however, frequently, the producers and the marketers do not abide by them. In this case, they should bear the specific consequences. Very frequently, however, the customers do not know their rights too well, and are not quite aware of what has to be demanded.

In our department, work is constantly done on the improvement of the legal regulations defining the obligations of the producer and the marketer toward the purchaser. The effect of these activities is a further improvement of the operation of the principles warranties and guarantees, which is based mainly on making them uniform. Guarantee certificates must be uniform everywhere. They should not have deviations to the detriment of the customer. Neither will it be permissible for the producer to pass the blame onto the coproducers, the arbitrary setting of the binding terms of guarantees, and the commission of other "tricks," allegedly of benefit to the customer. In working out these principles, we mainly based ourselves on the analysis of the tension between the trade network and the customer. The new plan was already accepted at a session of the Council of Ministers. We expect that very soon, it will be proclaimed, and everyone will be able to get acquainted with it in detail.

[Question] What role does the department that you head play among the establishments that are involved with quality?

[Answer] We test the quality of goods already on the market. Our experts are engaged in this. We also cooperate with all units that have the quality of goods within their purviews. The results of their work, checks, and observations come to our department. This is of great significance for us in the issuance by the Ministry of Domestic Trade and Services of so-called bans on purchases from unreliable producers. Last year, we issued 13 such bans, and they applied, among other things, to electric cookers, spades, soap, knapsacks, and furniture. These are not easy decisions. The current situation on the market does not permit the frequent applications of such sanctions.

Every half year, we make a record of the producers of unsalable goods. Among those who receive reports on this matter are the vice-premiers, the ministers of the ministries concerned, and the Federation of Consumers. And here, it is necessary to admit that most frequently, getting put on the "black list" has the desired effect. From time to time, in the Ministry of Trade, we also organize meetings with chiefs of departments, during which time, we request the undertaking of more radical actions for the purpose of improving quality.

[Question] Do your requests get any kind of response?

[Answer] It takes place in different ways. For example: smoked meats. By our initiative, their assortment was restricted. The idea was not to get the customer confused by the mass of names, in a situation where one sausage was not much different than another. In addition, the prices cause one to get dizzy. We then suggested to industry that it limit the assortment. And in addition, it worked up detailed information for the customer containing such data as: the name of the sausage, its fat content, its price, etc. Such signs are already found in the stores of several provinces, but they are still not present in the majority of them. Everything depends upon the good will of the producer.

[Question] And can you make a conclusion about reducing the price of the article when you determine a reduction in its quality level?

[Answer] No, we do not have such authorizations. This is already a question of actions in the economic sphere. We attempt to suggest to the architects of reform that they create mechanisms linking the quality level of an article with its price level. Enterprises must in some way become interested in making qualitatively good goods. The producer, and not the customer, has to pay for poor management and for botched-up work.

[Question] Are you not aware of the fact that we have too many institutions engaged in testing out the quality of goods?

[Answer] No. Many agencies are concerned with the matters of product quality, conformity with mandatory standards, or safety in using them, because this is such a very specific and complex problem.

The theories exist that a neutral institute, meaning neither trade nor manufacturing, ought to be concerned with quality. It is my opinion that this is a great misapprehension. For the producer has to count on the fact that if something gets messed up, nobody will accept it. The trade network people, on the

other hand, under conditions of a normal market, have to be cognizant of the fact that when they buy a shoddy product, they can lose a lot on this. Both in the one and in the other, as well as in other chambers, quality controls just cannot be done without.

The Polish Committee for Standardization of Weights and Measures is necessary, the State Trade Inspectorate, the Supreme Chamber of Control, and other institutes are needed. Each of these has its specific jurisdiction and sphere of activity in testing and controlling quality.

[Question] Although there are many quality controllers, even so, the market is unundated with unsalable goods. The customer gets taken in at every turn. It appears that the quality of goods will be better when some kind of competition emerges among the producers. However, this is linked with a return to a normal market. It does not look like there is much chance for rapid improvement. All the more so, since problems of quality have also disappeared from the field of vision of the architects of reform.

[Answer] We judged that the solutions concerning the improvement of the quality of goods will turn up in the reform. However, things turned out differently. The situation on the market also abets the production of unmarketable trash. The producers were convinced that the trade network would take everything. There's a lot of truth in that, also.

Therefore, our ministry recently brought several proposals before the government plenipotentiary for economic reform matters. They concern the application toward industry and the trade network of the kinds of incentives that would affect quality improvement. The ministry proposes that the producers, above all, be liable for the poor quality of articles. But the trade network should also be liable, if it deliberately introduces them on the market. The punishment that an enterprise would bear for botching up goods, should affect the reduction of profit and the wages of the workers concerned. Only then could any kind of improvement be counted on.

[Question] So, then, until such solutions are introduced, everything will go on the same old way?

[Answer] I assume so.

[Question] Thank you for the discussion.

Comments of Minister

Warsaw TYGODNIK ROBOTNICZY in Polish No 26, 26 Jun 83 pp 1, 6

[Interview with Zygmunt Lakomiec, minister of Internal Trade and Services, by Grazyna Garlinska; date and place not specified.]

[Text] [Question] Mr Minister, what can we expect during the second half of the current year? Can the customers count on better supplies? What can you say to cheer them up?

[Answer] If you please, madam, much is pointing to the fact that in the most sensitive segment of the market, which is food, things should not get worse. I even consider that we are able to expect gradual improvement and an expansion of the assortment. I would like, and really, the entire government wants, to desist from the state control sales of grain products. Many families have large stores of cereals and flour. For this reason, many customers do not use up their ration cards. However, there are also those who throw away moldy cereals and buy their next ration, because they have it coming to them. Some families, especially those with many children, continue to complain about the lack of grain products. What can be done? State control creates an equal chance for everyone. It does not consider our likes and dislikes.

However, I cannot say anything encouraging on the subject of meat. We would like to keep the supplies as they are from getting worse, to maintain sufficient supplies of meat and smoked meats, so that people could use up their cards. There will not be much improvement by the end of this year for nonfood items, especially for products of the light industry.

By necessity, we will be giving priority to articles for children and infants. Although there are delays in the realization of the operational program, they will be made up for in accordance with the assurances of the light industry ministry. However, the improvement in items for adults will not be great. In June, the Council of Ministers will review the problems of the operation of the light industry and supplies on the market, in order to help it out somehow. Some kind of move has to be made here, nevertheless.

Things will not be the best with household appliances either. However, I am hopeful that the theses of the Annual Central Plan will be carried out successfully. This year, the supplies of machinery ought to increase by 8-17 percent. The 4 months of this year indicate that this rate is realistic. I expect that the production of footwear, furniture, and other industrial items will also increase.

[Question] And what will our market get from imports?

[Answer] Within the framework of exchange between our ministry and the trade ministries of other socialist countries, we will receive many desired items, for example, furniture, clothing, and shoes. Their supplies will be higher than last year. Notebooks and other school items will also reach the market via this route.

As far as food is concerned, fruits and vegetables will dominate the exchange. For provisioning goods, we shall receive this year, however, meat and freshwater fish products. It can be said thus: the decision about the predominance of import over export will hold forth in exchange. According to my calculations, this year, it will amount to about 4 percent. And what about imports generally? Well, unfortunately, I cannot cheer up coffee lovers. The payments difficulties continue to be enormous. It is also difficult, for the time being, with barter transactions, whereby coffee could be a factor. Things are better with tea.

Supplies are moving along in conformity with the annual plan. This year, 2,000 tons of tea over last year's level will be reached, with a total amount of 28,000 tons. We never drank this much before. In spite of that, there is no tea in the stores. For it is bought, furthermore, for storage. There will be more Cuban tropical fruit than last year. They are found in normal sales.

Recapitulating: the import of goods will increase this year by 1.5 percent as compared to last year. What results from this is that its standing in the improvement of supplying the market will be considerable.

[Question] The normalizing of the market is mainly connected with supplies. How do you evaluate the current situation from this standpoint?

[Answer] Things are very good with cleaning agents. In inventorying the powders, it turned out that we have about 10,000 tons surplus. We wish to export that and in exchange, to import raw materials and components for the cosmetics industry, which is experiencing great difficulties. It is sufficient to visit the perfumery products shops. It turns out that there is a shortage of creams, that there are no hair dyes that ladies are jumping for, that things are tough with aftershave lotions. This has to be changed.

There are no dangers in alcohol products. The supplies of spirits are sufficient and guarantee the continuity of sales. As far as cigarettes are concerned, we were forced to give our consent to a reduction of their production by 2 billion cigarettes in May. For the industry wanted to carry out necessary repairs. The sales were reduced by 2.5 billion cigarettes. However, during the third quarter, there will again be a sufficient quantity, which is 6.5 billion cigarettes. We simply will suffer out a little bit of supply.

There will be no shortage of regular candies. We just have to make sure to maintain the increased norm for chocolate products. If industry managed to double production, we could dispense from their government control.

The most unknowns concern fats. Temporarily, we have suspended sales by ration card. In the future, we would like to get away from their state control. However, much depends upon the customers. If only they did not transfer our reserves to their refrigerators, because it will be difficult for us to maintain continuity of sales then.

The situation with animal fats is unsure. The predictions concerning procurement during the second half of the year are not too encouraging. However, there cannot be less of these fats than up to now. We shall provide certain imports here, however.

In other groups of foods, the situation is satisfactory, at least in macaronis, fruit and vegetable products, and grain products. We have stores of cereals, for example, for 102 days. This is why we want to dispense with their state control. And this should be as soon as possible. Without raising prices. Because I heard rumors that this could take place. No such thing. By removing state control of the sales of candies and fats, we also did not "touch" the prices.

[Question] So, where do all of these fears among the public come from?

[Answer] Well, I'll tell you, m'am...In the past, things were such that if something changed, usually it was accompanied by a price increase. Today, we have high prices. Even though certain items are chronically too cheap. Their prices will have to be ordered, perhaps, through turnover tax. However, this still results from a specific policy.

We have to remove inflation and the oversupply of money, not by general price rises, but by production. Only by this way can we attain a commensurate rapid normalization of the situation on the market.

[Question] Mr Minister, when will the last card disappear from our purses?

[Answer] I am not going to answer that question for you, m'am. The meat situation is something that is known. The dispensing of its state control is not a matter of 1 or 2 years. We would at least like to bring about an improvement in the assortment. So that every person having at his disposal a certain quantity of meat on his card could freely purchase what he himself wants. As of now, we do not succeed in this, because there is just simply too little meat. It is possible that it will be the one and only state-controlled good before long. So, we wish as soon as possible to get away from the ration card sale of sugar. We have had this card for so many years already...Even with sufficient supplies of sugar, somehow we just do not seem to manage this. I think that next year, we will already have to settle this matter.

[Question] On one side, we speak about getting away from the ration cards, and on the other, we hear that state control is also supposed to encompass products of the light industry and home furnishing items. Do you, Mr Minister, foresee the introduction of any kind of system of sales of industrial goods?

[Answer] We have prepared the so-called point card for light industry products, counting that no one will accept it. The workers of two large industrial enterprises appraised it: 22 Lipca Sugar Mills [ZPC] in Warsaw, and the Textile Mills [ZPW] in Obroncow Pokoju in Lodz, where the majority of the personnel are women. And what did they say? Of course, for large families, this might be good, but in general, a card of this type will bring no advantage. For, how is one going to match up sizes, color, and everything else. And above that, will it succeed in orienting self-governing enterprises to produce exactly the things that are most badly needed by the people.

The system of lots and prepayments concerning home furnishing articles is being tested out currently in Szczecin. Its appraisal differs. This is not a good solution, because it does not reduce speculation very much, and costs very much. And in addition to this, it has no guarantee that the system of lots will signify realization. The reason? Unreliable deliveries from industry. This system has many other weaknesses besides. I would not wish to expound on this subject more extensively. For it has been in operation too briefly. However, I do not foresee the possibility of its widespread application.

The so-called community routes. If it were not for the speculators, this would not be the worst solution. People watch for themselves. However, the recognition of these routes today would not come too easily to me. This is because,

where do the goods that the speculators have come from? Why do advertisements about the sales of automatic washers at double prices appear in the press? Simply speaking, entire families register in the community lists, and buy out the most desired items in this way.

[Question] In individual provinces, there is a profusion of state control of industrial items gone wild. In some, selling is done on coupons issued by work establishments, and in others, for example, on vouchers. What is your reaction to this?

[Answer] This is the worst that there can be. We can only attain an improvement in supplies through an increase in production, and not by expanding state control. Finally, the provinces do not have the right to do this. At one of its meetings, the Council of Ministers warned everyone that only state control based on the decision of the government can be put into effect. No other decisions of a subordinate government can take place.

[Question] Mr Minister, perhaps it is high time to also liquidate the so-called exchange trade between work establishments. As a result of this "agreement," a good portion of the articles have no chance of arriving at the stores. And this also disorganizes the market and impedes access to the desired good. How do you appraise this "trade?"

[Answer] Very poorly. This is a misunderstanding. Recently, I was having a look at a store in one of the light industry plants. An assortment from 11 other factories of this branch was in it. Not just the plant personnel purchased in that store. Its existence thus is an inducement to an increase in speculation. That is not the way. That is not the way to go. The Council of Ministers stated clearly that that type of activity has to be eliminated. So, we shall execute the implementation of that decision.

[Question] Since we are talking about producers...Does the trade ministry influence them in any way so as to increase the production of the items most badly needed on the market?

[Answer] Within the scope of reform measures, the possibility has been created for us to stimulate production in the most desired direction. We can do that with the aid of taxes and tax relief. We worked out with the Minister of Finance the set of goods relative to which we granted tax breaks. They are differentiated depending upon the item. It is worthwhile for plants to produce such goods, and they undertake this eagerly. I consider this to be very positive action.

We also influence the producers by means of government orders. For we are an ordering party. This form of action permits the concentration of raw materials and other resources where production for the market is especially needed.

We also have the possibility of declaring ourselves with respect to financing imports of specific raw materials with foreign exchange. This is a very important authorization. For we are not indifferent, particularly today, as to whether someone will be using raw materials for the production of electric cookers, electric irons, hair driers, or for the expansion of the varieties of fans. A woman has to have a hair drier. But we can get along without fans. One can stop moving around, we can open up our windows as wide as possible.

Well, we are still deciding about our foreign exchange funds. We are giving them entirely for industry, mainly for importing raw materials. We recently signed an agreement with the Ministry of Light Industry. We earmarked 31 million dollars to that ministry for the purchase of woolen and cotton yarn and tailoring accessories. As is known, light industry has great problems with them. Agreements were signed between the producers and the trade enterprises, on the strength of which, the goods produced from our raw materials ought to get to the market as an addition, above the plan.

We assigned a part of these funds also for the import of components for the production of hair driers. We are aiding the cosmetics, laundry agents, and cleaners branch, and also the household goods branch. In toto, we earmarked the entire foreign exchange gains from Pewex, or 70 million dollars for aid for industry.

Can one be satisfied from this action?

I do not know. Too frequently--I am not saying it's done generally--the industrial plants place their own interest above everything else. There is a lack of a community approach in them. And this is not just a slogan. It is possible to provide examples where the cessation or reduction of the production of a given assortment could help us to overcome the shortage of other, more needed, goods.

[Question] With the current dearth of goods, their quality is especially important. Very much is being written and said about this. In spite of this, the market is inundated with unsalable trash. What kind of weapon against the producers of below-standard products is the Ministry of Trade armed with? How is the lowering of quality and wastage of items in the stores and in the store-houses of the trade organizations being averted?

[Answer] The wastage of goods in the trade network is not great. However, that does not mean that cases of negligence do not occur. The negligence of the trade network consists mainly of the acceptance of poor quality goods from industry. I cannot inculcate the principle into the trade network personnel that if a consignment of unsalable trash comes in and one enterprise does not accept them, then the others ought to act accordingly. However, someone always gets taken in by such goods. Thus, there is no united front here. Why, the trade network ought to be a screen, it ought to protect the consumer against failed goods.

A certain solution for the situation would be the separation of the quality selection chambers from the trade enterprise. This is not easy, because, as is known, the plants are independent. However, I am hopeful that we will succeed in doing that this year yet. At that time, the placing of units that do a good job of classifying quality on a black list by industry will end.

After eking out all possibilities, there is left for us the issuance of the so-called bans on purchases from unreliable producers. Recently, I signed two decisions concerning black-and-white television sets. A color television will also be encompassed by this ban, probably. It is of lousy quality and dangerous. And it costs quite a bit.

I would like quality matters to find an appropriate place in the reform. I think that the changes will be introduced in 1984 already.

It is necessary to strengthen the position of the trade network relative to the producers, mainly by means of using conventional punishments of an obligatory nature and the selective action of these punishments has to be felt by the poor quality producers. We wish to defend the consumers. They are really bad off today.

[Question] In order to satisfy the curiosity of many customers, at the end of our conversation, I wish to again ask: "Where do you do your buying, Mr Minister?"

[Answer] Where everyone does. Very frequently, it is a matter of chance. I happen to be somewhere, and something attracts me. I do not hide the fact that I purchased the suit that I am wearing in Katowice. It is a series-made product of the Clothing Industry Factory in Bytom. I acquired the coat in one of the Warsaw stores. Things are not all that bad with outerwear today, however. I buy bread, butter, milk, and other food items in the settlement store.

[Question] Thank you for the discussion.

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CSO: 2600/1092

BUSINESS LEADERS VOICE DOUBTS, RESERVATIONS OVER REFORM CHANGES

Warsaw ZYCIE GOSPODARCZE in Polish No 27, 3 Jul 83 p 5

[Article by Marzena Kowalska: "Support for Mismanagement"]

[Excerpts] The demands for early publication of changes in the principles of the functioning of the economy stand a chance of being met still this year. The discussion on the proposed modifications was launched already in June--at a meeting of the Government Plenipotentiary Minister for Economic Reform with representatives of 100 consulted enterprises (on 21 June). Conclusions from this meeting and from discussion held at a session of the Economic Reform Commission are to be soon submitted to the Council of Ministers and later to the Sejm. As demanded by enterprises, the new mechanisms and solutions are to be published by October--at the latest--and they are to stay in force for more than twelve months.

"The Policy Guidelines for the Refinement and Consolidation of the Mechanisms of Economic Reform," submitted for consultation, cover prices and costs, sales tax and budgetary subsidies, motivation system, foreign trade, technological change and production quality, investments, fixed-asset management, and production supplies.

Unequivocal acceptance was won by only two of the many proposals. No reservation was voiced about the proposed introduction of lump-sum commission fees in the distributive trades and maintenance of this year's procedures concerning FAZ contributions, paid by enterprises in step with increase in wages.

But differences appeared as soon as the discussion turned to the taxation of profit-financed bonuses. The principle of linking the bonus threshold free from FAZ taxation to the share of personnel costs in enterprise total costs was questioned by Director Kazimierz Swiecinski of the Regional Meat-Industry Enterprise [OPPM] of Poznan. In his opinion, this principle will be harmful to enterprises with low personnel-to-total cost ratio. Siarkopol's J. Klimek noted that the idea itself, as an encouragement to reduction of material costs, is tenable, but the formula of computing the tax-free threshold is too simplified.

The greatest criticism was levied on the proposal to maintain the principle of dividing the depreciation allowances between the enterprise and the budget.

This principle was initially introduced as an interim solution, to be binding in 1982 and 1983. Consequently, it was expected that starting from the next year, the enterprises will keep the total amount of depreciation allowances.

The prolongation of interim [?] solutions in this field was interpreted by the consulted enterprises as a threat to the autonomy of economic entities. Incidentally, one can hardly be surprised that such giants as the FSM car factory of Bielsko Biala or the SFM furniture combine of Swarzedz, whose products are in great, uninterrupted demand, want to finance expansion with their own means rather than begging the state budget for funding. It was no surprise that representatives of such enterprises (they were joined by the director of the Lenin steel complex of Nowa Huta) warned against the consequences of the deteriorating decapitalization of the fixed assets.

They were accused of too narrow approach to economic problems, but one can hardly disagree with the directors who view the situation through the prism of their enterprises' interest. It is a matter for the central policymakers to reconcile conflicting interests and to choose variants which are optimal from the social point of view. This conflict of interests is nothing new, even though the resulting dilemmas may manifest itself at present with the greatest acuteness.

There is a similar dilemma with the selection of directions for development, referred to as economic restructuring. Regrettably, this problem was entirely omitted in the heat of discussion on depreciation allowances. Neither is it given any substantial coverage in the proposed document.

It was only the FSM representative who said that: "A selective development of the economy is a matter of necessity and because of this the rationing [of producer goods] should be maintained." He thus fell into the trap of logical contradiction, since just a minute before he had opposed the division of depreciation allowances--a major instrument of restructuring.

The dramatic choices that now face the economy were discussed by Prof Zdzislaw Sadowski, who summed up the discussion. He conceded that the solution proposed by enterprises is correct from the theoretical standpoint but it also carries a danger of duplicating the faulty system of fixed-asset management, inherited from the past, as well as standing in the way of economic restructuring. "As a country hit by economic troubles, we are not capable of preventing decapitalization in the economy as a whole. As a result, we should pursue a policy aimed at such changes in the existing structures which would permit the satisfaction of the most urgent social needs." This is to be served by the division of depreciation allowances between the enterprises and the budget, and by the policy of tight credit, mentioned by Director Stanislaw Pietrasiewicz of the National Bank of Poland [NBP].

But those present submitted a counter-proposal: to abandon the proposed concept in favor of fixed-asset taxation. The usefulness of such a solution, very doubtful with un-revalorized assets, seemed enormous to many--after the revalorization. Prof Sadowski took issue, pointing to the danger of cost-push inflation.

Contrary to expectations, many reservations were expressed about the proposed three variants of a linear income tax. Most popular among those present was "the fourth variant" calling for the maintenance of a progressive income tax, with alleviated progression. Given the year-and-a-half long severe criticism of the income tax, the consultants' attitude does not give credit to the submitted proposals. What is wrong with them?

The first proposal calls for a linear income tax of 70-75 percent of the profit, to be coupled with surcharges on enterprises with particularly high profitability, and with concessions for low-profitability production.

Under the second variant, the rate of linear income tax stands at 60-65 percent and is accompanied in the transition period by systemic lump-sum surcharges and rebates, with 1982 data serving as the base figures. The third variant opts for a lump-sum tax, differing among enterprises in accordance with actual profitability, and linked to the base net profitability, uniform for all enterprises.

The consultants saw in these proposals too great margin for arbitrary decisions. Although such misgivings are warranted by past experience, one cannot agree with them in full. The danger of arbitrariness can be detected in the first variant, but not in the remaining two. The real causes must be different. Most probably, the simulation analyses at enterprise reveal that the new version of the tax takes away more profits--in a situation when the general trend in profits, as against 1982, is declining rather than growing.

There was no shortage of controversial proposals to reduce the taxation of that part of profit which comes as a result of improvement in efficiency [Stanislaw Suchonski of the Lenin Steel Combine] and of materials savings and cost reduction [Marian Lacki of the Jelcz Bus-Truck Factory]. But as pointed out by Prof Baka, these otherwise attractive proposals do not dovetail with the solutions of reform. More than that, they contravene the idea of reform, meaning a return to the practice of pigeon-holing the means kept by enterprises, and consequently curbing the principle of self-financing.

Strong criticism was evoked by the proposals limiting in one way or another, the autonomy of enterprises. Reaction to the proposed changes in pricing principles was similar to the response to the three variants of income tax.

As explained by Prof Sadowski, the aim of modifications in the field of pricing was to depart from the efficiency-hapening cost-plus formula. This is true of both regulated and, to some degree, contractual prices.

"To a growing extent, the prices should have an external, parametric character," he said, "and it is expected that in step with the modification of the tax system they will influence authentic reduction of costs."

As is known, a special role in the new pricing formula is played by the category of warranted costs. As proposed by the Plenipotentiary Minister, the level of enterprise costs would be assessed according to standard norms and co-efficients, defined for selected kinds of production and elements of costs. This proposal met with opposition.

Marian Lacki questioned the feasibility of computing the truly warranted costs on the normative basis, while FSM's Andrzej Szybowski voiced widely-shared doubts as to which indirect costs are warranted and which are not.

At the Jelcz factory, the proposal to obligate enterprises applying contractual prices to base them on warranted-cost calculation was interpreted as a virtual abandonment of these prices. "No sooner had we learned how to apply the contractual prices than we had to abandon them, even though to many enterprises they were the only element of autonomy." The Jelcz envoy stressed the importance of free prices for capital goods, which would tie up a larger proportion of enterprise funds, thus limiting the amount earmarked for consumption in its broadest sense.

Another attempt at curbing the financial autonomy of enterprises was found--by Kazimierz Swieconski--in the proposal to ban the possibility of financing FAZ contributions from the reserve fund, in case the enterprise profit is too low.

One government proposal was to authorize enterprises to change collective-bargain agreements, provided that a consensus is reached by the self-management, the director and the trade unions and that the scope of wages and benefits defined in the collective bargain agreement is not exceeded. This was interpreted [Marian Lacki] as the policymakers' attempt to shed responsibility for wages.

But as explained by Prof Sadowski, the original intention was to grant the enterprises a greater room for maneuver with wage experiments. Such experiments were carried out last year in some enterprises--by the consent of employees, even though against the letter of the law.

Everybody agreed that the share of the constant, social-benefit component of wages should be reduced to the minimum, and that motivating influence of the moving part of wages, linked directly to work, should be enhanced. But if this is to be achieved, the wage scales defined in [Council of Ministers'] regulation 135 should be transcended, which means that the wage rates should be so increased as to absorb the constant component. It was rightly observed that this would not make a great impact, if any, upon the total amount of wages, thus refuting the argument about inflationary consequences.

Much interest was attracted by the proposed modifications in foreign trade. There was no opposition to the prolongation of foreign-exchange rationing, and the maintenance of compensatory accounts and Foreign Trade Minister's awards fund. But it was demanded that a detailed list of centrally imported items be compiled. Stanislaw Suchonski said that "the growing tendency towards shifting the production-supply burden onto enterprises through the system of export-revenue accounts necessitates a revision of export-revenue rates." He also proposed, just as many other speakers, to launch a similar system in settlements with payments zone one [inconvertible currencies].

Absence of systemic solutions rationalizing imports was signaled by Marian Lacki. The same subject was taken up by Jan Klimek, representing one of the

country's major hard-currency earners, Siarkopol [sulfur]. He pointed to the adverse impact of income- and FAZ-tax concessions, designed to stimulate the volume of exports. "This system," he said, "provides encouragement to more intensive effort, but has a negative impact upon the level of prices earned on Western markets." This is a very important problem, considering the fact that Poland is a leading exporter of some raw materials.

Many opinions were voiced during the meeting, but those quoted here reflect the main currents of discussion. The prevailing view was that the proposed solutions would prop up the mismanagement and leave much room for arbitrariness. Concern was expressed whether the modifications will not run against the interests of the autonomous, self-financing enterprise. Prof Sadowski tried to dispel the suspicion but his arguments, when confronted with daily realities faced by enterprise directors, did not seem very convincing to those present.

CSO: 2600/1147

TIGHT, EASY MONEY POLICIES DEFINED

Krakow ECHO KRAKOWA in Polish 28 Jun 83 pp 1, 2

/Interview of Prof W. Boniecki by Jan Frenkel: "Professor Wiktor Boniecki Comments on Easy Money"; date and place not specified/

/Text/ /Question/ At the beginning of the year and even earlier the management of the department of finances announced that it will decisively introduce the policy of so-called tight money. This meant that banking credits would be granted only to those factories, establishments and enterprises which can actually demonstrate the best production and economic results. This guarantees that the money devoted to capital projects and other goals will be used best. After half a year the issue has quietened down, it seems, even though it is important. Has the policy of tight money (some prefer the term "tight credits" or "hard money") proved effective elsewhere in the world? Does it not deepen the crisis--as some of the bosses of our industry maintain? What is the experience in this respect that we can use?

/Answer/ I will remind you that in his work, "Economics of Shortage," the Hungarian economist Janos Kornai already introduced a number of terms, which were immediately accepted elsewhere in the world, i.e., the notions of tight and easy money. This distinction is important, since at the present moment capitalism wants to strengthen its position with the help of the tight money policy. Capitalism is a system restricted by the level of demand for goods and services. Already J. M. Keynes (the creator of the new bourgeoisie economics, died in 1946--J.F.) drew attention to the need for increasing the purchasing power of society in order to decrease unemployment during the years of the great crisis.

/Question/ Everything depends on a boom in the free market system of the West, does it not....

/Answer/ Capitalist economy can develop only when demand grows quickly. At present--as we know--there is great unemployment in the capitalist system, for the tight money (and, thus, tight budget) policy means a ruthless limiting of production or consumption costs, since the enterprises can only use their own, limited profits or credits, which results in bankruptcies of enterprises and, consequently, in an increase of unemployment.

/Question/ Indeed, unemployment is now the greatest social problem in capitalist countries. At the same time, however, published statistical data demonstrate that the recent years of economic recession are over, and a recovery is under way, orders from producers are growing as well as the profits of the world of business.

/Answer/ The policy of tight money is considered to be a weapon in the international competition in technical, technological and organizational progress. There was only one case in which the U.S. Government gave credits to the bankrupting Chrysler firm, but this exception confirms the rule.

/Question/ Let us speak of our own problems. Has the principle of tight money ever been applied in the countries of the socialist camp?

/Answer/ In the socialist economy tight money has only been used in private households (the budgets of these households are restricted by the level of profits and few opportunities to obtain consumption credits). Although recently, for social reasons, the policy of easy money was adopted also in private households (rapid growth of grants, pensions, disability payments and all other forms of social assistance), socialism, as opposed to capitalism, may increase the demand at any time. It does not constitute a barrier that can limit the amount of production. The policy of easy money causes that enterprises have no problems with selling. Thus limiting by money does not occur in the practice of socialist economy, since the state assists the mismanaged enterprises and does not allow them to go bankrupt.

/Question/ The principles of the economic reform provide for the possibility of a state enterprise going bankrupt. Actually, however, this is only frightening, but not hurting. So far there is no bill on the bankruptcy of an enterprise and firms in trouble always save themselves either by--wholly unjustifiably--raising the prices of their products or by obtaining grants from the state budget.

/Answer/ This is exactly why so far there has been only one case of bankruptcy of a construction enterprise in Katowice, but it was an exception. And easy money means an easy budget; and, finally, it means variations of the economic plan because of the threat of unemployment. Credits are not refused even to unprofitable enterprises or those, which produce goods of very low quality. Lack of money does not occur and it is not the cause of limiting the volume of production.

/Question/ What, then, is happening to our policy of tight money?

/Answer/ The assumptions of our economic reform for the first quarter of 1983 provided for the introduction of the bank policy of tight money in Poland. Under pressure from the enterprises it has not been applied and easy money policy is still maintained. When the policy of easy money is used the demand of enterprises for the means of production lacks elasticity in relation to prices. In this situation the prices do not perform their basic economic function. Easy money does not force the enterprises to introduce progress and innovations, it does not help in the struggle against waste and thefts, it is not a stimulus to decrease employment and does not enforce the production of goods and services of high quality.

/Question/ What you said does not sound optimistic. We do not demonstrate a lot of consistence in what we are doing.

/Answer/ Unfortunately, we do not, for we live in the world of paradox. In theory we agree with the necessity of introducing tight money and in practice we all try to get as much easy money as is possible. As a result of this, people receive money on account of the fact that they are formally employed rather than for their actual work.

12417

CSO: 2600/1085

"POLONIA" FIRM OFFICIALS EXPLAIN, DEFEND ACTIVITIES

Manager Refutes Accusations

Warsaw RZECZYWISTOSC in Polish No 10, 6 Mar 83 p 9

[Article by Konrad Krzyzanowski: "Though the Storm Rages Around Us" under the rubric "Polonia Companies" [Companies established in Poland by Western investors of Polish origin]: passages enclosed in slantlines printed in boldface in the original source]

[Text] /This time I reached Kedzierzyn-Kozle in a highly unconventional manner. It all began at the Katowice "flea market" with an incident which I had witnessed. A speculator was caught redhanded by a militiaman in the act of "hawking" at "negotiable" prices effective windbreakers, allegedly of foreign origin./

The jackets are indeed handsome, white in color, quilted, light as a feather, and to boot their left sleeve bears the label "Mellowhide." The militiaman was provoked by two at least suspicious facts: the rather exorbitant price (7,500 zlotys) and the sizable number of jackets sticking out of the speculator's capacious bag.

Corporal Dragomir W. of the Citizens' Militia later confided in me: /"If the jackets were of foreign origin, then why had the guy a bag-full of them? The goods offered on the flea market often are stolen goods. Maybe the sonofab....s burglarized some train bearing foreign gifts and are now selling off their spoils?"/

The corporal's professional instinct partially did not mislead him. Those handsome jackets sold at a blackmarketeer's prices were--let's say--50 percent of foreign origin. For they originated from a Polonia company, Mellowhide-Intersport, in Kedzierzyn-Kozle. The fellow had bought them quite legally (he had a sales slip from the DSH Department Store in Opole) for 3,500 zlotys apiece. In the morning he brought the whole caboodle to Katowice and hawked the jackets at "bargain prices" for 7,500 zlotys each. He had succeeded in selling seven, with eight more jackets still remaining in his bag.

I do not know whether the speculator was given deserved punishment. Let us assume that the unsold goods were confiscated and the collegium slapped him with a high fine. But as for me, I was more intrigued by the Mellowhide-Intersport company.

Kedzierzyn-Kozle is located in Opole Province. On the townhall square I asked passersby where to find the seat of the Mellowhide-Intersport company.

They shrugged their hands. They had not heard of it. After long wanderings I reached my destination, however. A one-storey building surrounded by a garden. Above the entrance is an unsightly plaque bearing the company's name. It is not surprising that even in Kozle few people have heard of it.

The honors of the host are exercised by the lawyer Jan Litynski: he is polite but does not even want to consider giving any press interviews.

"Mister, who needs all this nonsense? I'll be attacked"--I had at first misheard it to mean 'bedraggled'--"because all this scribble, scribble would supposedly make us look important. But all we want here is to be left to work in peace...."

Minutes pass in an exchange of polite opinions.

[Answer] Well then, what in the final analysis is of interest to you?

[Question] Anything that relates to the operations of your company. Who is its owner, what is the scope of its activities, what is the size of its output, what are its profits....

[Answer] We'll begin with the owner. Does the name Miksa mean anything to you? He flew in Squadron 315 and was leader of Squadron 317. In the book by Bogdan Arct, "Messerschmidty w sloncu" [Messerschmidts in the Sun] as well as in "Zwichniete Skrzydla" [Dislocated Wings] you will find more details on this topic. These squadrons had specialized in attacking the Hitlerite "Wunderwaffe" [wonder weapons] V-1 and V-2. Mr. Miksa is the owner of the company and I'm its director. This is a marginal comment, for ours is not a joint-stock company but an enterprise belonging to Mr. Miksa.

[Question] What were the motives of your employer in founding the Mellowhide-Intersport company in Poland? What did he expect?

[Answer] First, as a Pole, he wants to help the country solve some of its economic problems. This, in its turn, is linked to a sincere desire to maintain close and frequent contacts with the mother country. Lastly, there is the third factor: Mr. Miksa believes that in a properly functioning economic system he can expect to derive certain profits from his operations. His calculations are not those of an official of a charitable institution but a businessman, clearly. After all, the pertinent decree and appropriate regulations have been issued. The point is that these documents be strictly adhered to by both parties. This also is how many other compatriots living abroad are reasoning, for example Wincenty Dajka (a producer of goods for youth and children).

What are we doing and since when? The company was founded in the spring of 1981, upon obtaining approval for engaging in production and commercial activities from the Opole Province authorities. We manufacture, among other things, plastic goods, chemical goods (coated fabrics), knitwear (sweaters), ladies' and men's coats and jackets, gloves, underwear and any sports and tourist clothing. It was

we who had supplied, among other things, sports uniforms for the contestants in "Mundial-82." At present we employ nearly 80 persons, inclusive of students and cottage-industry workers. I personally exercise the combined functions of director, legal adviser, personnel head and, as the need arises, driver and supplier. There is no custodian personnel at our plant; we all clean up after work. Owing to such an "orientation" of the management only five persons, inclusive of myself, are not directly engaged in production....

[Question] Are you operating "in the black"?

[Answer] I believe so, and I shall discuss this in more detail shortly. What matters most is that we are needed by the market: our products enjoy great demand. And what also is important is that we wish we could procure more raw materials. This is our Achilles' heel. We are not permitted to export and thus we have no foreign exchange for importing raw materials from abroad....

[Question] I don't understand. After all, one reason why Polonia companies such as yours exist is in order to meet domestic demand and export.

[Answer] That's what you think? You're mistaken. I repeat: we are not permitted to export our products. The decision of the authorities is clear and explicit: Point 6 prohibits the marketing of goods for export for the first 2 years from the date a license for production-commercial operations is granted. Of a certainty, the authorities were concerned about giving priority to meeting the demand of the local market. And justly so--but one has to have raw materials in order to produce. But we can't count on imports of raw materials, because for the time being we're earning no foreign exchange. There is one more obstacle: Polonia companies were advised that supplies of raw materials from socialized domestic sources will be rather scarce. Sales to us haven't been prohibited, but it was given to understand that there will be problems. The problems exist. We often hear at wholesale trade establishments that there is a "prohibition" in effect against making raw materials available to Polonia companies--even when we agree to pay the so-called foreign-exchange charges. But there exist praiseworthy exceptions. Here is an example of good cooperation: the Lentex Works in Lubliniec agreed to sell us 30,000 linear meters of so-called warming fleece if we would additionally pay in the form of 1,650 American dollars. We did this and it appears that both parties are content. Unfortunately, not everyone is willing to act thus.

[Question] Problems are problems but you produce and supply the market with goods in demand. How does this look in practice?

[Answer] About 85 percent of our products reach consumers via the network of state and cooperative stores. I avail myself of this occasion to note that we operate our own company store in Opole. In this way, the inhabitants of the province which has made our operations possible receive priority in service. The goods in greatest demand are insulated jackets in fashionable styles, skiers' overalls and sportswear.

Last year our turnover reached 100 million zlotys. I think that this year will be no worse.

Profits? Let's begin by saying that, under the regulations in force, the owner can't utilize them arbitrarily. But he can invest in expansion of the

enterprise. Recently we purchased some old buildings at a cost of 10 million zlotys. Following their general renovation and alterations, we shall use them as the site of a new production department. Let me add here that the shell of a building that has been standing in a sorry condition (in the very center of Kozle's downtown area) and which we had purchased will also be provided with a new beautiful superstructure which should undoubtedly contribute to beautifying the city.

[Question] What else is the owner permitted to do with the funds earned in our country?

[Answer] For example, he can avail himself of a foreign-exchange permit to pay in zlotys for his sojourns in Poland. He can also allocate 10 percent of his net profits for purchase of foreign exchange at the Narodowy Bank Polski (at the official exchange rate) and transfer it. Here it should be emphasized that that 10 percent may not exceed 10 percent of his previous investment outlays. There is an abundance of professional literature on this topic in the form of documents and regulations. There is no fear that anyone would enrich himself excessively with foreign exchange.

[Question] I have several other questions: Do you agree with the rather loudly proclaimed accusations that Polonia companies are "pirating" skilled workers from state and cooperative enterprises?

[Answer] This is absolute nonsense! Look at our company: we employ mostly women, generally those lacking occupational training. Only a few are graduates of vocational schools. In addition, we employ 14 female students. I don't think that they would be earning 20,000 zlotys monthly anywhere else: this is a fact. But their earnings are commensurate to the work they're doing. The wage system is such that we link hourly rates to the number of, e.g. jackets sewn. One seamstress requires 1 hour to perform a certain operation, while another takes more time. We thus accepted 2.5 hours as the norm, at a hourly rate of 100 zlotys. The secret of the fairly good wages and profits at this company lies in a good organization of labor, the use of up-to-date fashion designs and a high quality of the end-product. Since our marketing is assured, we can afford quite often to apply a system of financial awards and rewards as well as to donate a lot of money to social drives. For example, in the first half of last year, we had donated 2.5 million zlotys to social drives. This year our contribution will be even higher.

[Question] From what you said it is obvious that the Mellowhide-Intersport company does not expect to start bankruptcy proceedings, does it?

[Answer] Rather not, that is, of course, unless we encounter certain difficulties.

[Question] Let's say that you're not being threatened with bankruptcy by the problems that may arise with raw materials. But there is also the competition, and besides the market may after some time become saturated....

[Answer] You said "competition." Excuse me, but what competition and on what part could threaten us?

[Question] Let's say, for example, from the state-owned domestic industry or from the cooperative industry.

[Answer] Let that situation arise first, and then we shall consider whether to suspend production or...engage in a price war.

[Question] You sound so sure of what you are saying.

[Answer] Consider if you please that what counts in production--as anywhere else--is such concepts as high quality, flexibility, proper reaction to market fluctuations, short series, proper utilization of raw and other materials, and the absence of overinflated administrative staff. We know what to do in order to avoid bankruptcy. Please bear in mind also that once the officially prescribed waiting period for exports expires, we shall be able to utilize our contacts and sell our products abroad. There's a depression now going on abroad, but it will pass too. We have a permit to hire up to 250 persons. For the time being we aren't availing ourselves of this right, but we don't preclude this possibility....

Activities of 'DANPOL' Firm

Gdansk GLOS WYBRZEZA in Polish 25 Mar 83 p 4

[Article by Jerzy Niepokulczycki: "'DANPOL' or Selling Technical Knowhow"]

[Text] /I became interested in "DANPOL" Foreign Enterprise for two reasons. First, because it represents a group of enterprises that is greatly needed to us owing to the nature of their production, and secondly because its director, Henryk Danko, is at the same time a member of the board of the INTER-POLCOM Polish-Polonia Chamber of Commerce and Industry, He is thus in a position to view things from the standpoint of the individual enterprise while at the same time acting as a spokesman for the whole of the foreign enterprises operating in this country./ [printed in boldface]

The "DANPOL" enterprise, which is owned by British citizens, operates since September 1980. It is located in Warsaw, on modest premises. At year end it had employed 32 persons. Its current employment already is 48, including 7 electronics and mechanical engineers. Last year it paid an average monthly wage of 11,500 zlotys. This year it will raise wages. The enterprise conducts detailed bookkeeping and is ready for an audit at any time. For a year already it has been paying both kinds of taxes, i.e. turnover and income taxes.

It should be emphasized at the outset that "DANPOL'S" production is more "knowledge-intensive" than materials-intensive. On the basis of seven Western patents, one patent from the Higher Maritime School in Gdynia, and one from the Institute of Automotive Engineering in Bielsko-Biala, as well as of own projects, it manufactures various types of electronic and electronic-mechanical equipment that are unique in our economy and even in that of CEMA.

Thus, its principal product is memory modules for computers. They serve to modernize the Odra-1305 computers used in computer centers. One hundred computer centers have already ordered these modules, which are failure-proof (a number of them is already in operation and performs reliably) and characterized by smaller

dimensions and, what is highly important, lower power requirements. The enterprise is moreover tooling up to manufacture memory modules for a "RYAD"-system computer built with the participation of several socialist countries.

Another noteworthy product is torsimeters--instruments for combined measurements of torque, rotational speed and power take-off on the main propeller shaft of TNP-4 sea-going ships, patented by the Higher Maritime School in Gdynia. These torsimeters assure an optimal utilization of engine power and hence also serve to reduce fuel consumption 5 percent. Were they to be installed in all sea-going vessels, the resulting savings of fuel, given its current prices, would reach about 1.2 billion zlotys or US\$16 million per year.

The enterprise's more important products also include digital position meters, whose production is being started and which can be applied to grinding and milling machines and lathes, as well as a highly interesting device assuring an effective sealing and stapling of cardboard containers. At present orders will be filled for the poultry industry.

As ensues from this brief survey of the nature of "DANPOL'S" production, it chiefly sells technological knowhow. Material problems are a secondary aspect to it. It has no problems either in marketing its products. The demand is extremely high and there is already a backlog of orders until 1984.

However, as a foreign enterprise, one of many operating in our country, "DANPOL" has problems ensuing from the overall system of functioning of our economy.

Various complications ensue from the fact alone that so far no implementing regulations have been issued with respect to the decree of 6 July 1982--a decree which is viewed positively. The absence of these regulations imbues the company's operations with an atmosphere of impermanence.

Director Henryk Danko drew attention to several issues associated with the operations of foreign companies.

The first issue is the need to stabilize the "rules of the game." A major burden on the enterprises is the sudden changes of regulations. Let us add that this issue is also important to domestic enterprises, which the reform endows with autonomy that, in its turn, requires a change in style of treatment by the state administration. In a word, this concerns stretching the time frame of cost effective operations for both foreign and domestic enterprises.

Another issue is the frequency and intensity of inspections by the authorized institutions. For example, an inspection by 29 officials was carried out at a foreign company employing 100 persons. The inspection was comprehensive and lasted a month. It resulted in finding the absence of proof for expending...half a kilogram of paint. Foreign enterprises operate on the general principles followed by small industry and as such they are subject to audits, but the point is that such activities should not take up too much time of the small workforces of these enterprises.

Generally speaking, foreign enterprises experience growing bureaucratic pressures from the central authorities. This may be exemplified by the duty of applying for

a permit to import or export any commodity to the Ministry of Foreign Trade (mandatory since 1 January 1983). This means a great deal of work for that ministry as well as complications for foreign companies which, after all, operate on the basis of contacts with abroad as regards raw and other materials, machinery, etc. A more practical solution could have been to transfer the handling of these permits to customs offices. After all, the point here is not exemption from customs duties but merely permission to import and export.

The troubles of foreign enterprises due to the functioning of the economy may diminish as the economic reform becomes widespread. An explicit relationship exists between the reform and the development and effective operations of foreign enterprises. After all, they are an element of the system which was to be translated into reality under the economic reform.

In conclusion, Mr. Danko stated that his enterprise neither courts publicity nor avoids inspections. He would be glad, though, if the negative phenomena uncovered in certain foreign enterprises and publicized in the press and other mass media would not be branded with sensation-courting general name tags considering that the body of such reports often concerns trivial and rather rare instances of the violation of regulations by certain companies.

The above postulate is highly important, because the cooperation of foreign companies was invited in our current difficult situation. Growth of their interest in our country also hinges on the proper climate which we create for them.

Problems Frankly Discussed

Warsaw POLITYKA in Polish No 21, 21 May 83, Special Supplement p 20

[Interview with Zdzislaw Zyzak, plenipotentiary of three Polonia companies--STOLMAR, MARBET and ELMAR, by Jerzy Loch: "To Become Indispensable"]

[Question] The reputation of Polonia companies [companies established in Poland by Western investors of Polish origin] in recent months has fallen greatly owing to price hikes and increasingly frequent provision of shoddy goods. More fundamental accusations, namely, that you are profiting from the Polish crisis so as to line your pockets as soon as possible, also are being made.

[Answer] Companies which operate in a bumptious manner and whose sole goal is to amass a fortune rapidly are few and I believe that they will soon drop out of circulation. I personally even claim that their existence is partially through the fault of the authorities, which are too easygoing when selecting applications for permits to establish Polonia enterprises.

[Question] Ho, what are you saying? All of your colleagues at the Polonia Forum in Poznan had expressed a diametrically opposite opinion.

[Answer] Perhaps they did not express themselves precisely. Enterprises of our type still encounter too many administrative barriers on their road, which--actually--begins with the application itself. But I didn't say that the bureaucratic formalities, which already are so numerous, should be multiplied. I only said that the criteria for granting permits should be tightened. Once a permit

is issued, trust in the new company should be shown instead of plaguing it with excessively detailed administrative and financial regulations and incessant audits.

[Question] How can--in your opinion--those hunting easy profits be distinguished from those who wish to thrive through honest work?

[Answer] Primarily from the program of action. Most companies, chiefly the larger ones, follow programs with a time frame of several years or even a dozen or longer. This can be seen besides from their investments. If they commit considerable funds of proprietors and subsequently for a long time allocate nearly all of their operating profits to the construction of new facilities, acquisition of technologies and often licenses and complementation of up-to-date machinery pool, this means that their operations cover a longer time frame than that ensuing from the desire to exploit the crisis. Besides, such a rascally mode of operations will not, because it cannot, succeed in the long run. One example is the flooding of the Polish market with shampoos. They had been in short supply and their production could be started easily and relatively cheaply (even with borrowed machinery), while their prices could be inflated. In a nutshell, this was a way of gaining high profits quickly. But now store shelves overflow with these shampoos and no one buys them, which could besides have been expected considering that such a powerful cosmetics industry as Poland's could not indefinitely remain lethargic and, in the long run, small enterprises would find it difficult to compete with it. Hence, the real field of action for companies of our type lies wherever the domestic industry is either underdeveloped or non-existent, and it is precisely filling these gaps that I view as our chance. Such is the nature of production selected for the companies which I represent. We manufacture synthetic marble on using to this end raw materials that are 75 percent of waste origin (marble and quartz meals) which previously no one in this country had utilized, because the complex technology was unknown and, in addition, foreign exchange for the acquisition of components was unavailable. We started the production of car batteries and intend to expand it, because there is such a huge shortage of them in this country. As we have experts in resins and adhesives, we worked out a technology for the reclaiming of machinery and equipment. Thus for example, at a mine in Szczeglowice we repaired the wheel of an extracting machine without having to dismantle it, place it on the ground, etc. which in itself would have been costly, not to mention that our repair cost much less than the otherwise necessary replacement of the wheel. We will also apply resins to construction: for the structural reinforcement of buildings damaged by mining activities, renovation of architectural relics and application of permanent colored and washable plaster coatings which at the same time improve the heat insulation of buildings. In this regard, we want to come to the aid of Bytom first of all. Thus if you call this exploiting the Polish crisis then, excuse me, but....

[Question] But the high profits gained by your companies are glaring.

[Answer] Excuse me, but profits are a yardstick of good management. A 20-percent profit is nothing special if we consider that it derives from extremely low department cost and overhead. At many socialized Polish enterprises these costs range from 500 to 1,000 percent of the value of wages, whereas at our enterprises they do not exceed 200 percent. Similarly, labor productivity in our companies is much higher. If an employee has nothing to do at his workstation because a material or a part is not provided, as sometimes happens, he is almost

immediately assigned to other work. When we purchased a burned-down sawmill in Leboszowice near Gliwice, it began to produce its first lumber long before its construction was completed. We did not wait for the factory hall to be rebuilt and instead, so long as weather permitted, we operated the machinery outdoors under a provisional roof. Similarly, we utilize raw materials more fully. Since we could not be included in the list of allocations of timber (and we had opened a joinery, because synthetic marble is an ideal component of furniture), we set up a brigade penetrating the Suwalki forests and logging wind-felled trees, that is, timber that would otherwise have decayed. Such logs are processed into deal-board of varying size. The largest and thickest planks are used to build single-family houses; the smaller ones, to make furniture; the cuttings, to produce parquetry; and the shavings, to produce fiberboard. Thus we simply waste nothing. This is the reason for the profits that are considered high by public opinion but which in reality are not high at all. For we use these profits to finance marketing on foreign markets products whose prices we cannot, under the Polish regulations, adjust in relation to our costs. We also use these profits to offset export losses due to the unrealistic dollar exchange rate which we are forced to apply. Besides, it is advantageous to the state that our profits be maximal, because after all half of our income goes to pay the income tax. We also pay the turnover tax. In case of sales abroad, the state receives from us, at the official, that is, unrealistically low exchange rate, one-half of the foreign exchange representing the surplus of income from exports over expenditures on the indispensable imports of raw materials or parts. We have to pay a percentage of our export income to the state foreign trade main center which--let us speak plainly--is unearned by that center since we ourselves locate customers for our products. Moreover, no Polonia-owned company has as yet succeeded in obtaining a permit for independent exporting even though under the law it has the right to apply for it. If you also consider that the state has a monopoly on transport abroad, operated by the state-run Hartwig and PKS [State Automobile Transport] companies, to which we also give business, it turns out that the existence of Polonia-owned companies is equally good business to both the state and their owners. The public is not informed in this connection that, after all, all the production facilities which we build enrich national wealth. For we build them on land leased for 20 years from the state and after the expiration of that period, when the permit for operation expires as well, these facilities will become state property. Not to mention the aid we have provided to many state enterprises in the form of importing for them, e.g. foreign-made spare parts which they cannot afford or rescuing certain plants from operating in the red by leasing from them at extremely high prices facilities for production purposes. By now various forms of commitment of foreign capital to the development of domestic production exist in a majority of the socialist countries. Actually, I believe that the solutions adopted in this country hamper the full utilization of the operations of Polonia-owned companies for the good of the country.

[Question] The catalogue of complaints by representatives of Polonia-owned companies is known.

[Answer] But what concerns me is total absurdities! For example, the prohibition against exports of foodstuffs. After all, our company also manufactures apiary equipment and bee nutrients and produces honey itself, except in a nearly industrialized manner. In view of the prohibition against exports of honey, we will have to curtail these activities. To make this production profitable to us, we must sell abroad 100 of the 450 tons of honey produced per year. So let me ask

which is better: is the country to be provided with 350 tons or should we be forced to stop production?

[Question] This sounds like blackmail.

[Answer] No. After all, it is no secret that at present we have an advantage over state-run industry in the sense that we are able to import indispensable components by paying foreign exchange. But what businessman would want to pump foreign exchange into his business in Poland when he can in return receive only zlotys? What can he do with these zlotys? How much salmon can one eat and how much vodka can one drink? He thus must have a foreign-exchange return on our investments, with some profits. After all, he invests in Poland not out of philanthropy but for business. Yet in this country arises the opinion, shaped by certain circles discontented by the existence of Polonia-run companies, that the very fact that a capitalist earns a profit is bad. According to such reasoning, we should not at all trade with the Western world, because they must earn a profit when they buy something from us, as otherwise they would not be interested. We are burdened with increasing restrictions. In addition to the existing system for settlement of export-related accounts, we were forced to deduct to the State Exchequer about 25 percent of the funds gained from sales abroad whenever...some foreign exchange is spent on manufacturing the exported products or the raw materials used in the manufacture are exportable. Please consider: this is a counterproductive measure with regard to our greatest assets and the greatest advantage which the foreign exchange-poor country derives from our existence, namely, the possibility of supporting Polish production with domestically unavailable components and raw materials. Where is the logic in the reasoning that if one brings into Poland foreign-exchange investment funds convertible into zlotys at an unprofitable official rate of exchange then...one will earn less because he will have to give more to the state? Besides, this is not the only absurd aspect of this decision. What also happens is that we always are confronted with faits accomplis or receive only verbal prior notices. No regulation is published on schedule. What is more, the official decisions are retroactive, nullifying our entire contract calculations and exposing us to the risk of suffering losses and perhaps also to the need of breaking a contract which, in its turn, undermines the reputation of our company. Not to mention the far-fetched interpretation given to us when that 25-percent tax was levied on our exports of products made from Polish wood, namely, that the wood "also could be exported." If such reasoning is followed, then we could be taxed 25 percent on anything, because anything can be exported, even thought. But the worst thing about this all is the imposition of sudden decisions that are retroactive in effect. For this exposes us to the risk that it will turn out at some time that all that we have done is unprofitable to us and, properly speaking, we should become bankrupt.

[Question] We have thus arrived at the topic of the fear most often voiced by the owners and managers of Polonia-run companies--the uncertainty of the future.

[Answer] I believe that we, that is, the management of these companies, have considerable opportunities for reducing that risk. For if we choose a type of activity that would make us simply indispensable, it will be difficult for anyone to shut us down. The development directions of our company also follow this reasoning. For if we alone can handle the reclaiming of worn machine parts then any attempt to liquidate us would be nonsensical. When we offer to Silesia, where mining activities are causing structural damage to buildings, a much cheaper

and more productive method for renovating damaged residential and factory buildings and even architectural relics, our chances of avoiding any hypothetical shutdown are that much improved. This also applies to a proposal we are currently working on to offer services in the form of erecting within several months handsome and comfortable single-family houses resistant to movements of the substratum on unstable and undeveloped land. It is simply that, in the desire to avoid the risk, it is necessary to become a permanent part of the country's economic landscape, become indispensable to the country. I see no better way.

[Question] Despite everything, you thus are optimistic about the future of Polonia-owned companies in Poland, aren't you?

[Answer] I'm not assuming that the representatives of the authorities lack common sense: that would be a mistaken assumption. Now common sense will not allow smothering companies which yield benefits to the state. Thus, I rather feel secure about their existence. The question rather is that of how much difficult will it be for us to maintain our enterprises in full operation, and whether the number of obstacles which we are surmounting each day might not grow to an extent at which we will lack the time for production itself.

[Question] May it not happen. Thank you for the interview.

Other Accusations Answered

Gdansk GLOS WYBRZEZA in Polish 24 May 83 p 3

[Text] /This article would not have been written had not I bought roll mops at a food market. The herring were delicious and the producer new to me--a Polonia-run company, "Baltica" from Gdynia. I told my acquaintances about this discovery and was surprised to hear them snarl--not at the herring, because everyone likes them, but at Polonia-run companies./ [printed in boldface]

/Why do some people snarl at Polonia-run companies? I appeared with this question at "Baltica," because that jar of roll mops made me interested in it (it is an old truth that the heart is found through the stomach). Its owner is a Gdynia man with Austrian citizenship and family sentiment toward fish, because before the war his father used to deal in catching and processing fish./ [printed in boldface]

I don't think, though, that it was out of sentiment that he came to his hometown in order to found a fish processing plant; he did it for business. He doesn't conceal this, because there is nothing shameful about it: after all, business from which both parties are to profit was the reason for the decree which enables representatives of the Polonia to engage in industrial and commercial operations in Poland.

The head of "Baltica" came to his home country bringing along considerable capital which he invested in converting the vacant structure of the POLIFARB Paint Factory in Kock. He imported some machinery from Austria and bought other in Poland, hired some 20 people, and started his operations. He began to process herring into those delicious roll mops and, in addition, to manufacture "Cytrofix," that is, a lemon drink extract. The demand for both products is large and business has been excellent. Last year the company's turnover was 120 million zlotys and its profits were 20 million.

Early this year the situation at "Baltica" grew somewhat complicated. A bone of contention arose between that firm and the fish industry; namely, herring has become a scarce commodity. Owing to the shortage of these fish, production and employment had to be curtailed.

And since misfortune comes in pairs, a sword of Damocles also began to hang over the production of "Cytrofix." This is a prosaic matter--the Planning Commission under the Council of Ministers has allocated to Polonia-run companies sugar for the production of fruit juices and processed fruit. But so far not one of the ministries disposing of sugar has sold even a kilogram of this commodity to these companies. This made moribund everything that these companies used to do in this respect.

In such a situation, the head of "Baltica," even though in a year he had earned the equivalent of his investment in the business in the same zlotys, had to trim his sails because in the long run the future of the --for many reasons--trouble-plagued food subsector which he had chosen is very uncertain. It is simply that not only Polonia-run companies but also our domestic producers lack the most important thing they need to do business--raw materials.

The head of "Baltica" was trained in a somewhat different system than ours and found a way out of these troubles. Namely, he committed his company somewhat more extensively to imports and exports of products.

It would seem that both parties--the debt-laden state which would like to expand exports in every way, and the "Poloniuses" who, let's not keep it a secret, in their own interests prefer the dollar to the zloty, would shake hands on this mutually profitable business. But it turns out that this is not so simple.

The head of "Baltica" could commit a substantial part of his previously unused capital to, e.g. herring imports (which he has so far been doing on a limited scale), and he would like to sell this raw material, after processing it, for foreign exchange. So far he has been doing it on the Austrian market, with which he is familiar, but he cannot do business on other markets without support from a Polis government foreign trade center, but so far no such center has extended its hand to the producer from Kock. Perhaps he is too small and insignificant? A propos, let us recall the saying of a certain thinker: "Let's not ignore trifles, because perfection consists of trifles, and perfection is not trivial." The offer of the head of "Baltica" to export to other countries in addition to his own sales on the Austrian market may be a trifle against the background of the overall volume of our foreign trade, but this trifle should not be ignored, because after all perfection consists of trifles.

What the aforementioned thinker did not envisage, the converse also can be true: owing to trifles perfection is lost. Of a certainty, the glass jar into which roll mops are packed is a trifle against the volume of the business done by

"Baltica." A trifle? Perhaps in other countries but not in ours. The head of "Baltica" needs 300,000 jars. The glass works says: "You can have them, but we need, in addition to the payment in zlotys, some foreign exchange to cover the so-called foreign-exchange share." The head of "Baltica" says: "I'll pay the agreed-upon price for the 300,000 jars plus, say, US\$1,000." He asks to what account should he deposit that money? The answer from the glass works is that it does not have a foreign-exchange account and wants him to buy some machine for the works. The head of "Baltica" answers that he is not an expert in glass works machinery and does not know how to attend to this matter. This is where the situation stands ever since, even though both parties agreed upon payment. Unfortunately, there exist many other such unresolved situations.

I left the head of "Baltica," whose operations are a positive contribution to the development of Polonia-run companies but who has encountered obstacles but, unwilling to give up, intends to alter the nature of his production in the immediate future. I kept looking further for the reasons of that snarling directed at Polonia-run companies. Where? Perhaps the most proper address would be the Gdansk Branch of the INTERPOLCOM Chamber of Industry and Commerce of Polonia Companies.

I asked its director, Witold Zickan: "The most often heard complaints are that Polonia-run companies are greedy for profits, that they buy up raw materials in this country instead of importing them and that they invest little. Is that true?

[Answer] The more than 300 Polonia-owned companies in existence include some at which the profits gained have been incommensurate with investment outlays or at which co-production is improperly interpreted. However, the scale of these irregularities is simply too small to overshadow the positive aspects.

[Question] What are these positive aspects?

[Answer] First, the already substantial scale of production and services, which last year reached 17.6 billion zlotys. Co-production with state-run enterprises with regard to products eliminating imports is growing. Polonia-run companies have utilized 11 Polish patents and 7 foreign licenses. For example, the Niko-Key Company has signed an agreement with the Institute of the Vegetable Processing Industry in Skierniewice and the Lodz Polytechnic for the utilization of four patents for the production of orchard fertilizers.

Products made by Polonia-run companies, and particularly medical and electronic equipment, made it possible in one year to cease imports of US\$4.6 million of such equipment. Several companies began to utilize production wastes and local raw materials. For example, the "Sofal" Company last year produced 5 million bricks, 27,000 hollow tiles and 18 million cu m of sawed lumber processed into pallets for export. The "Polimer" Company processes waste rubber into automobile foot-mats and "Poltrade," resin wastes into lacquers. The same company manufactures a preparation for restoring car batteries. Experts estimate that this enables the economy to save 70 million zlotys per year.

As can be seen from this, Polonia-run companies have already accomplished a great deal in the domain of activities assigned to them.

[Question] No significant quantities of production have as yet appeared on the market.

[Answer] Please bear in mind that Polonia-run companies do not employ many people, the total being only 12,000 employees, but account for about 2 percent of national production. They chiefly produce consumer goods, because their co-production activities are as yet limited. Polonia-run companies will never be a power in supplying the market, although they still have much to accomplish in that field. For example, the "Konsumprod" company is interested in reviving the poultry factories that have fallen into neglect owing to lack of feed. It intends to purchase feed for foreign exchange, provided only that it be permitted to use its income from sales of broilers on the domestic market to acquire raw materials that it could export and thus earn foreign exchange to buy still more feed. Were this idea to succeed, some 15,000 tons of poultry meat could be produced within a year. Such a quantity would make a substantial impact on the market.

Another interesting idea, worth the proverbial Nobel prize, is the notion of a Dutchman of Polish origin to utilize phosphogypsum wastes. That industrialist claims that he has a revolutionary patent for utilizing these wastes. It is too early for details, but the stage of preliminary talks has been reached. Were this idea to reach fruition, Polonia-run companies would deserve undying gratitude even if they were to accomplish nothing else in Poland from then on.

[Question] It is being said that you are upsetting the labor market by buying up the people you need for your operations.

[Answer] We aren't upsetting the labor market because the economic authorities set for us an employment ceiling of 20,000 whereas, as I already stated, we employ only 12,000 persons, which is only a tiny fraction of the 12-million employed in Poland. Do we tempt people with higher wages to come work for us? The average monthly wage in Polonia-owned companies is 14,000 zlotys, that is, it does not deviate much from the nationwide average. Admittedly, we offer relatively high pay to certain groups of experts. But this is as it should be. After all, the intent of the economic reform is that pay should depend on the work done. And in our companies work is productive: the value of output per employee is 800,000 zlotys or greater by a factor of 2.8 than in small industry and 3.5 than in the artisan trades. Polonia-run companies account for 6 percent of goods supplies to socialized small industry but have only 1/40th as many employees as that industry. Since such results are achieved, people who create them should be paid better.

[Question] You have it good because you aren't paying taxes.

[Answer] One hundred of the more than 300 Polonia-run companies already are paying taxes. Last year they paid 1,100 million zlotys in taxes. Consider that in that same year the taxes paid by 370,000 artisan shops totaled 11 billion zlotys. Our share is far from small.

[Question] What are the owners of Polonia companies doing with the--after all--substantial profits they are gaining in this country, considering that they will neither export them abroad nor spend them on carousing?

[Answer] They invest that money. Last year, Polonia-run companies invested 1.5 billion zlotys or 53 percent of their profits, plus US\$4 million, or 52 percent of their export income. It is thus untrue that Polonia companies take the easy way out.

[Question] A propos of exports, what are they?

[Answer] On the national scale, the value of exports last year was US\$7,670,000 plus 186,000 rubles and imports, US\$5,312,000 and 3,000 rubles.

[Question] What would you like to specialize in?

[Answer] I find this easier to answer by specifying the kind of production that the economic authorities are interested in. This concerns supplying agriculture with machinery, spare parts, car batteries, tires and agricultural implements such as forks, hammers, chains, etc. Our companies also are expected to manufacture pharmaceuticals, sanitary products, medical equipment, children's clothing, footwear, protective clothing. It can be seen from this that the scope of possibilities is broad.

[Question] What is hampering your operations?

[Answer] There are many obstacles. It is necessary, e.g. to prepare for enterprises thorough reports on the possibilities, principles and forms of co-production with Polonia-run companies. Regular channels of access of such information to enterprises are needed. A catalogue of offered by Polish enterprises to Polonia-run companies is indispensable. Another obstacle is the impossibility of purchasing immovable property and the lack of rights to engage in commercial turnover with abroad. For example, the utilization of waste raw materials is hampered by a PKC [State Price Commission] rule fixing price surcharges for waste plastic products sold to non-socialized organizations. This greatly complicates business between us and the enterprises selling such wastes.

[Question] Three hundred Polonia companies--is that much or little?

[Answer] Of course, little. The socio-economic plan through 1985 envisages the formation of an additional 700-900 Polonia-owned companies. Our turnover is to reach 120 billion zlotys, or seven times as much as at present, by that last year of the three-year plan. Time will show whether these ambitious targets can be accomplished.

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DEVELOPMENT OF ENERGY, RAW MATERIAL RESOURCES EXAMINED

Goals of Recovery Programs

Bucharest REVISTA ECONOMICA in Romanian No 20, 20 May 83 pp 4-5

[Article by R. Burbea]

[Text] Within the broad context of the economic and social development policy elaborated by the party, particular attention is devoted to the country's development and modernization of the raw materials and energy resources. It is to be said in this connection that, as early as the beginning of the 1970's, the party predicted the development in international trade in raw materials and energy resources. At the joint plenum of the Central Committee of the Romanian Communist Party and the Supreme Council of Economic and Social Development on 28 November 1973, Comrade Nicolae Ceausescu stressed the "need for firm reorientation in fuel and energy consumption" and prescribed the application of the appropriate measures. The elaboration of a new national strategy for use of energy resources and of the principal raw materials, especially minerals, was undertaken on this basis. This strategy was aimed first of all at satisfying internal consumption needs to the greatest extent possible, and then at reducing consumption through stricter conservation and elimination of the manufacture of products and of technologies which are heavy consumers of raw materials and energy resources.

Meeting Needs With Domestic Resources

As is known, Romania has a relatively wide variety of mineral resources, something which has greatly facilitated the economic growth recorded in recent decades. However, with the increase in industrial potential the amounts of some material and energy resources produced in the country have proved to be insufficient, so that it has been necessary to supplement the consumption of the amounts extracted with imports whose volume has increased along with development of the economy.

Reserves of more than 100 minerals have been identified below the earth's surface in Romania. Only two-thirds of these reserves are used in production processes, while for the remaining ones research is in progress to determine possibilities for mining them and the efficiency of using them. Of the

minerals currently in use, approximately 15 are of particular importance because of the amounts required and their value, the remaining ones being chiefly substances used only to a limited extent in certain sectors. The extent to which the principal minerals produced in the country met the needs of the national economy in 1981 was 50 percent in the case of oil, 30 percent in that of coking coal, 7 percent in that of iron ore, and 50 percent in the case of sulfur.

The figures show that, for a number of resources highly important to development of basic branches of industry (iron ore, coking coal, oil), needs have been met to an overwhelming extent or largely with imports, something which has necessitated the spending of considerable amounts of foreign exchange. In addition to the resources referred to, all the required amounts of nickel, zinc oxide, tin, titanium dioxide, 13 brands of iron alloys and certain non-metallatic substances, the most important of which are asbestos and phosphates, are imported.

Development of the extraction of energy and mineral resources as the chief means of broadening the raw materials and energy base requires considerable research, investment, and extractive efforts, but these efforts are absolutely necessary. With few exceptions, development of energy resources and metal ores-extraction is taking place under increasingly difficult conditions (technological and economic), especially as the process of extraction is extended, owing to penetration to deeper layers, as discontinuous ore formations are encountered, as the potential flow of oil diminishes, as transportation distances become longer, as the nonproduction periods required for preparation of the work surface increas as the work widens, etc.

If to these difficulties involved in extraction of a gross ton of energy or mineral resources we add the ever lower content of ore or the impurities present in extraction of resources, we clearly see the adverse effect on the level of extraction efficiency, and, accordingly, on the cost of extracting energy sources and metal ores, as well as on the investment efforts required for broadening the raw materials and energy base. For example, as regards specific investment, it is estimated that this will be twice as high in 1990 as in 1980 for the extraction of oil and iron ores, while the unit production costs will double over the same period in the per ton extraction of oil and methane gas and will increase by up to 50 percent in the case of lignite, iron ore, manganese ore, copper ore, and multimineral ore. Thus, we see the considerable manpower, material, and organizational efforts needed for development of raw materials and energy resources.

Creative examination by the party of the numerous economic aspects associated with more efficient use of raw materials and energy resources: the level of natural reserves, the potential for working these reserves, the introduction of strict measures for efficient conservation and for gradual reduction of technological consumption, the possibilities of replacing and recycling resources, etc., has represented the basis for substantiation of one of the principal theses of our economic policy, that is, insuring energy independence and obtaining the bulk of the principal raw materials needed through domestic production.

The importance of developing raw materials and energy resources and the need for obtaining the greatest amounts possible of these resources through domestic production was heavily stressed at the Twelfth Congress of the Romanian Communist Party. In outlining the prospects for harmonious and proportional growth of industry and agriculture, Comrade Nicolae Ceausescu made a statement of particular importance: "In order to reach these goals we stress broadening the country's own raw materials base, a gradual increase in domestically-produced resources to satisfy the needs of the national economy, and a substantial reduction in imports." An important program has accordingly been outlined for development of national raw material and energy resources, one which will ensure energy independence starting in 1935, as well as substantial domestic production of other raw materials.

Complexity of Methods of Action

The programs aimed at ensuring energy independence and domestic production of the principal raw materials do not just include the measures necessary in the extraction branches, but also cover an array of actions connected with discovery of new energy and material reserves, the increase in the quantities and assortments of usable resources, conservation of resources by appropriate use of each resource at the level of need, recycling of some resources and their replacement so as to use the most widely available ones, and the continuation of the manufacture of products and retention of technologies which have the lowest consumption per unit of useful effect obtained.

The development of the national material resources base rests on detailed knowledge of the entire underground resource potential in Romania. Prospecting is aimed at detection of resources situated at greater depths and is oriented toward ores with low useful mineral content, but also toward substances whose content indicates potential future use. Of course, the primary object of development of geological prospecting is replenishment of the main energy and mineral reserves at a level that provides for domestic production for many years. A particular aim is to promote the most efficient possible use of reserves, from the viewpoint of ensuring a proper relationship among current consumption, reserves detected, and the supply of resources, account being taken of the changes which will occur in the sources of energy and raw materials.

Table No 1. Extraction Yield Per Ton of Fuel Consumed

Lignite extraction	Unit of measure	1981-1985 five-year plan	
		beginning of five-year plan	end of five-year plan
Tons of resources extracted per ton of fuel consumed	ton		
--underground		65	50
--in quarry		84	58
Net energy	% of		
--underground	heating	94	88
--in quarry	capacity	94	90

In the actual extraction of energy resources the chief aim is an increase in domestic production accompanied by sensible management of the supply of reserves. Despite all the efforts made, the planned production levels have not been reached. This made it necessary, at the Working Conference of the Central Committee of the Romanian Communist Party in January 1983, to establish new measures and solutions incorporated in an unified work program for the mining industry, whose object was the fullest possible use of production capacities, equipment, and facilities so as to reach the higher plan targets for the last years of the five-year plan. Better forms of organization in mining activities, coupled with application of the system of remuneration of labor in the overall contract system for all mining personnel, can contribute, as demonstrated in practice, not only to meeting the coal mining target but also to continuing improvement in the technologies employed and reduction of material and energy consumption in reaching the targets. Of course, in some areas the more difficult mining conditions, resulting from the length and greater depths of surfaces and the less favorable arrangement of the levels mined or of the work surfaces in the pit in time lead to a decrease in mining productivity per ton of energy effort exerted, and in net energy, as is shown by Table 1. The relatively high net energy scheduled to be provided in lignite mining by the end of the 1981-1985 Five-Year Plan underscores the on-going importance of this fuel resource, even under conditions in which measures for conservation of the energy consumed cannot compensate for the additional effort required by the increased mining difficulty.

The broad program for supplying domestically-produced solid fuels does not apply merely to perimeters known as zones with extractible reserves. Particular tasks are assigned for prospecting for and detection of new mines, above and below ground, in all regions of the country in which such resources are located and in connection with local extraction of such resources to make provision for fuel consumption for thermal energy units.

In oil extraction extensive application of advanced extraction methods ensuring increase in the final recovery factor is required in particular, because of the increase in fuel consumption required for extracting 1 ton of oil (see Table 2).

Table 2. Energy Consumption Required for Extraction of One Ton of Petroleum

Petroleum extraction	Unit of measure	1981-1985 Five-Year Plan	
		beginning of five-year plan	end of five-year plan
<hr/>			
Tons of petroleum extracted per ton of fuel consumed			
--in primary extraction	tons	11.0	7.7
--with assisted technologies	tons	7.0	5.1
Net energy			
--in primary extraction	% of heating capacity	90	87
--with assisted technologies	Same	86	80

Just as comprehensive as the plans for energy resources development are those relating to development of extraction of metallic and nonmetallic ores, rare metals, raw materials in agriculture, timber, etc.

Research for discovery of new reserves, investment activities for opening of new mines and quarries, research and development of new extraction and preparation technologies, and the execution of operations under conditions of maximum efficiency represent the chief directions in which action is being taken in the respective sectors, in which, however, a differentiated approach must be applied to other important problems. For example, in view of the low levels of iron ore obtained domestically and the need to maintain or even increase iron ore consumption, it is urgently necessary to finalize technological solutions for exploitation of reserves that are difficult to extract, as well as to establish the levels of energy and economic efficiency at which their extraction can be ensured, taking into account both the cost of importing iron ore and the energy efforts, estimated in terms of foreign currency required for the transportation involved. Meeting the requirements for nonferrous ores (copper, zinc) still depends on ore imports and application of advanced and efficient technologies for extraction of metal from ores with a low use content so as to make a reduction in imports possible. A similar situation, but one requiring less foreign exchange, is the case of nonmetallic ores, in which imports of sulfur, kaolin, fire clay, and diatomite can be reduced during the current five-year plan through intensification of geological prospecting, extraction, and application of improved enrichment technologies.

Of course, development of energy resources and raw materials production is merely one aspect of the important and complex problem of attaining energy independence and domestic production of the majority of raw materials, the other aspects being relating to conservation, replacement, recycling, and better utilization of resources. The methods by which action may be taken for this purpose are many, varied, and dynamic. The most efficient method is that which reduces raw materials and energy consumption through efforts to reduce the specific per product consumption. In addition, conservation of energy and materials is closely related to replacement of scarce raw materials and fuels with those which can easily be procured, preferably locally.

Just as important in meeting raw materials and energy requirements is qualitative and functional improvement in products which, as a result of extended service life and reduction of maintenance needs, limit the quantity of equipment and installations the national economy needs and make available greater quantities for export. This integrated view of the processes which contribute to meeting a requirement with a minimum of cumulative effort in all phases, and which is customarily referred to as the utilization factor (the higher the efficiency is, the less effort is required), is characterized by the fact that it combines information from the extraction, production, and utilization sectors.

Better use of energy raw materials and resources throughout the production process must be based on a series of actions aimed primarily at a suitable technology excluding any possibility of waste but also ensuring a level of product quality

which keeps products competitive and strengthens their competitive ability in international trade. When carried out at the national level, with all sectors of the economy participating and with consideration given to the chief measures for conserving material and energy resources, better utilization of resources contributes to the achievement of energy, material and economic independence.

Geological Research Priorities

Bucharest REVISTA ECONOMICA in Romanian No 20, 20 May 83 pp 6, 8

[Article by Petru Cojean, deputy minister of geology]

[Text] Raw materials and energy supply is currently a priority problem. A specialized ministry was established nearly 2 years ago to stimulate geological research so as to discover and exploit new mineral resources. This measure made it possible to concentrate geological effort on major objectives, the preconditions thereby being created for reaching the plan targets in this field.

As a reflection of the particular attention devoted to creation of a material base for the growth of the Romanian economy, the "Program for Development of Primary Mineral and Energy Raw Materials" has been elaborated at the direction of Comrade Nicolae Ceausescu and based on resolutions of the National Party Conference. In the program the most important legal aspects of meeting raw mineral requirements are adopted and guidelines for geological and technological research is established so as to increase available national reserves of all useful mineral substances and better utilize these substances. The program involves the most advanced concepts of useful mineral resource formation and accumulation, as well as use of the most advanced prospecting and exploration technologies ensuring an increase in raw minerals, especially energy resources and those of substances currently being imported.

New Resources in the Economic Cycle

Systematic geological prospecting of the entire country has led over the last 20 to 30 years to remarkable results in the continuing increase and diversification of the raw mineral base. The new concept and improved equipment have resulted in the appearance of new production zones on the national economic map, even where it was once maintained that useful mineral substances did not exist there.

On the basis of considerable investment effort, which has been absolutely necessary to meet the requirements of the economy to the greatest extent possible, intensive geological research in deep drilling has been carried out (see graph). This has resulted in the discovery and operation of the first deep oil deposits. At Asau in Moldavia and at Draganu in Oltenia, for example, hydrocarbons are extracted from depths ranging from 5,100 to 5,300 meters, these being among the deepest production zones in Europe.

In the case of coal a significant lignite base has been established in Northern Oltenia and deposits have been discovered in Transylvania (Sf. Gheorghe Nord, Baraolt, Borod-Borozel, Nord Oradea-Rosiori), Banat (Sinersing, Darova, Visag, Caransebes, Bozovici), Southern Oltenia (Mihaita-Isalnita, Caracal, Bailesti, Negoiu), and Southern Muntenia (Buda southwest of Bucharest). Areas with coal reserves under exploitation are also being extended in the Jiu Valley (Rascoal, Livezeni, Barbateni, Brazi Valley) and in Banat (Lupac, Pregheda, Chiacovat, Ostresu, Bizer-Pietrele Albe).

In the case of nonferrous ores new deposits have been discovered in Maramures (Suor, Gura Bii, Mocirlau, the Eastern Carpathians (Lesu Ursului, Fagu Cetatii), and Banat (Moldova Noua). Reserves of ferrous ores have been extended at Ghelar and Teliuc and new reserves have been discovered in Banat (Virful Bou, Piriul cu Raci) and in Maramures (Razoare).

In the case of nonmetallic substances an important sulfur deposit has been discovered in the Caliman Mountains and reserves of kaolin sand in the Arghires (Cluj) area and of fire clay at Suncuius (Bihor) have been extended. A strong base of usable reserves of construction material resources has also been created during this period as a result of geological prospecting.

At the same time, the range of useful mineral substances has been broadened through preparation of new usable energy sources. They include the fuel shales at Anina and Doman in Banat, geo-thermal water in the counties of Arad, Bihor, Satu Mare, Olt, Vilcea, Braila, etc. Mention should also be made of the poor copper ores in the Apuseni Mountains at Rosia and Bucium Tarnita and in Banat at Moldova Noua, the heavy mineral sands in Dobrogea and Arges, the rare metals and scattered metal ores at Jolotca-Harghita, Baita-Bihor, Marconia-Caras-Severin, etc.

Although these accomplishments represent an important contribution toward increasing domestic raw material resources, it must be said that in geological research the discovery of useful mineral reserves and their introduction into the economic cycle are still taking place at too slow a tempo, the working of some promising zones still is behind, and suitable use is not always made of the intellectual potential and the technical material base.

Trends in Geological Research

In determining the direction of geological research it is borne in mind that Romanian territory is still not being exploited sufficiently, that is, that possibilities still exist for discovering new deposits of useful mineral substances which can contribute to increasing the volume of the country's reserves. For this purpose geological research is concentrated in areas and at facilities which offer the best prospects over the entire country, down to the greatest depths which can be reached with existing equipment, so that one may, within a relatively short period, evaluate the potential of all useful minerals. Particular attention is devoted to energy-producing substances (oil, gases, coal, rocks, fuels, geothermal water) for which 72 percent of the funds made available for geological research over this period will be spent during this five-year plan, the funds allocated being 70 percent higher than those allocated during the previous five-year plan.

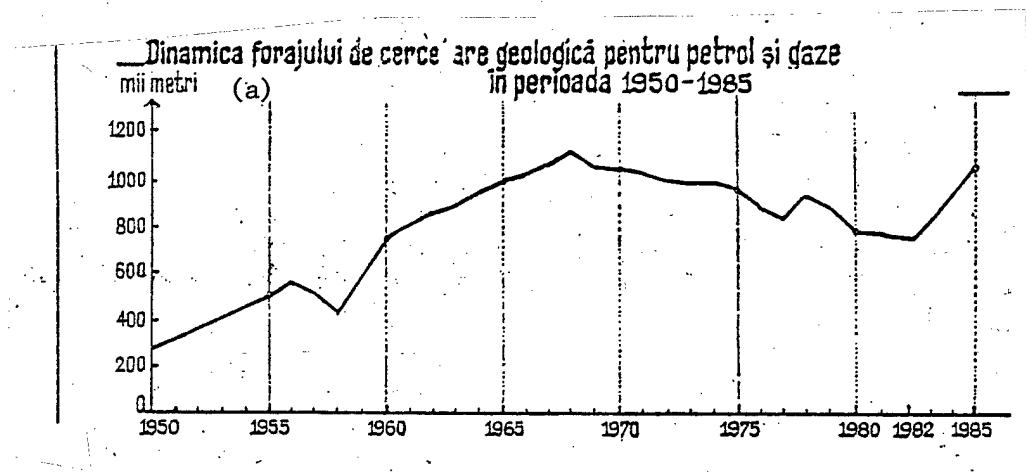
An essential feature of geological research during this stage is that it strives to discover reserves for all useful mineral substances which exceed the consumption of the previous period. It is necessary for this purpose to improve geological research methodologies and concepts for all useful minerals, especially for deposits situated at great depths and under complicated geological conditions, the proportion of which will increase during the forthcoming period. Action will be taken, in particular, to intensify the pace of work to accelerate the introduction of the reserves discovered into the economic cycle. Hence, technological research and testing of the most suitable extractive techniques will parallel geological research, so that the gap which exists between these activities will be completely reduced. Also to speed up operations at recently discovered reserves, part of the mining work in the geological research phase will be carried out on a scale and with a structure which can be applied in deposit operations.

In the case of oil and gas, along with continued research on the less extensively-worked areas and deposits situated as deep as 4,000 meters, operations will be intensified at deep deposits in Oltenia, Muntenia, and Moldavia, through doubling of the volume of these operations in comparison to the previous five-year plan. It goes without saying that, as technology advances, to permit more economic penetration of the earth's crust to greater depths, the prospects for mineral resources will change. Geological research will also be intensified on the Romanian continental shelf in the Black Sea.

In the case of coal, plans call for intensifying prospecting in areas in which coal is in short supply in Moldavia, Transylvania, Banat, Southern Oltenia, and Muntenia, so as to reduce transportation over great distances to the minimum and to meet local needs. In effect, geological prospecting will be carried out in all sedimentary basins capable of containing coal deposits. At the same time, there will be an intensification of geological and technological research on lignite deposits situated below the hydrostatic level and under difficult and very difficult geological and mining conditions, so that working of these deposits may begin. Prospecting for coal will be extended in the Banat and will continue more intensively in the Jiu Valley, where it is necessary to secure additional reserves for the purpose of opening new mines.

Increase in complex and copper-bearing ore reserves requires an extension of prospecting in the eastern and southern Carpathians, and, in the Baia Mare metallogenetic zone, extension of depth operations, especially in the Borsa-Viseu sector. Particular attention will continue to be devoted to geological prospecting for detection of new lean copper-bearing ore reserves in the Apuseni Mountains and the southern Carpathians. Similarly, geological prospecting for aluminum ore will be intensified in the Padurea Craiului Mountains, where prospecting at greater depths (150 to 300 meters) will be carried out, together with prospecting for rare and scattered ores in the eastern Carpathians, southern Carpathians, and Apuseni Mountains. In the case of nonmetallic substances particular attention will be devoted to substances in short supply such as kaolin, fire clay, and barytes. Geological prospecting for these substances will be extended in all the promising areas throughout the country.

Dynamics of Geological Prospecting for Petroleum and Gas Over the 1950-1985 Period



(a) Thousands of meters.

Mention should be made of Romania's great mineral water reserves. Although the water ranks in quality among the best varieties in the world, from both the therapeutic and nutritional viewpoints, these reserves unfortunately have not been sufficiently investigated and utilized. Consequently, more constant efforts will be needed in the future in order to increase mineral water reserves, both of the sparkling "Borsec" variety and therapeutic water. Lastly, geological research has special tasks in connection with discovery of other useful mineral substances needed by the national economy, such as potassium salts, feldspar, bentonite, mica, asbestos, graphite, volcanic tuffs, construction stone and others.

Priorities in Future Activities

Geology intends to turn over to mining units during the five-year plan more than 100 new locations of useful minerals including, for the most part, coal and fuel schists, complex and copper-bearing ores, nonmetalliferous substances (barytes, fire clay, kaolinized rock, silica sand, salts, etc.), and iron ores. Prospecting will also be carried out for discovery of new oil deposits.

Action will be taken to modernize material resources to accomplish these tasks, so that it will be possible to apply on a larger scale improved technologies that lead to faster drilling and mining operations. Particular emphasis must be placed on assisting units in the machine-building industry to improve and automate devices and equipment used in geological and geophysical prospecting, in investigation of wells, and in a research data processing and interpretation. For this purpose a program has been drawn up to outfit with geological apparatuses, drill rigs, and equipment required specifically for geological operations.

The program calls for the Romanian machine-building industry to assimilate and produce more than 60 equipment items, including geophysical and laboratory apparatus, drilling rigs for earthquake operations, drilling rigs for sinking mine shafts, hydrogeological drilling rigs, and so forth.

The equipment used in the field and in the laboratory must be high technology and must be highly mobile to permit collection of a large volume of data and to ensure that the equipment will not be affected by movement. This will permit more accurate locating of anomalies and even direct prospecting for hydrocarbon deposits, and, in the case of ores, more precise detection of rock that contains minerals. Under such conditions, research in the machine-building industry and specialized research in the extractive industry must be closely coordinated in order to efficiently solve problems which arise.

Improvement in the professional training of the geologists, geophysicists, and other specialists active in the geological sector must also be a major concern. Refresher and specialization courses have been organized for this purpose at the enterprises, the center for advanced personnel training, or the "Stefan Gheorghiu" Academy. Along with these courses, other forms must be studied and employed which will enable geologists to be promptly informed of new engineering and technological developments throughout the world.

It is also necessary to intensify the publicizing of geological research activities to attract young people to specialized vocational schools or lyceums and to improve on-the-job skills. One should note in this context the efforts made to improve living and eating conditions at each project site or workplace, since the installations are generally far away from towns or workers residences.

The measures established by the party and state to create conditions necessary for increasing the volume of useful mineral reserves and especially of energy sources, will make it possible for Romania to become energy independent by the end of the current five-year plan and will permit an ongoing reduction of mineral imports.

Lignite Extraction

Bucharest REVISTA ECONOMICA in Romanian No 20, 20 May 83 pp 7, 8

[Article by Nicolae Mititica]

[Text] Coal holds an increasingly important place in Romania's energy policy. There has been an increase in particular in the production of lignite, especially over the last two decades, during which time new mining units have been opened and activated, notably in Oltenia, and they have contributed substantially to total national coal production.

As was stressed at the National Party Conference, implementation of the program for rapid development of coal production also necessitates involvement in production of reserves in difficult deposits through improvement in current technologies and application of new ones ensuring intensive labor and an increase in a deposit's recovery level, under conditions of maximum economic efficiency.

Substantiation of Economic Production Criteria

The particular features of Romanian lignite deposits, as regards the arrangement of reserves in numerous levels of variable thickness accompanied in the majority of cases by hydrogeologic difficulties, represent obstacles to increasing recovery level and favor the trend toward depletion under conditions of an increase in the extraction rate. Similarly, the lack of a diversified range of technologies and equipment for selecting the most suitable deposits contributes to a decrease in the recovery level and reduced economic efficiency.

The advantageous conditions under which working of deposits usually begins (thick levels easily accessible through side galleries, in underground mining, and low cutting volume in strip mining) made it possible to reach favorable production and cost levels, on which the plan targets, investment volume, and economic efficiency in subsequent operations have been based. In our opinion, these indicators represent a restriction on the most extensive possible mining of coal reserves, because in the future, as well, there will be a tendency to mine that part of the reserve which is more economically-efficient. The substantiation of decisions for partial involvement in the economic cycle of a multi-level deposit on the basis of current economic efficiency indicators deliberately accepts the loss of appreciable reserves and stresses economic efficiency as a relative concept determined by the natural conditions and the level of technological operating potential. Depending on the specific conditions in the deposits, the technical and economic indicators need not be restrictive in regard to increasing recovery factor, since limited coal reserves, coupled with a high extraction rate, call for sensible operation and maximum recovery from the deposit. It appears that modification of the criteria establishing the point up to which the workings should be continued is necessary.

For the fullest possible utilization of available reserves to increase the recovery level in accordance with natural conditions and technological performance, it may be assumed that in a particular deposit the strata located below the current operating facilities are in a holding state and that their utilization depends on the promotion of new technologies.

While the output scheduled in the program for development up to the year 2000 can come from the deposits now being worked, scientific and technological research has been commissioned to find solutions as regards the technologies and equipment required in the economic cycle of lignite reserves located in the lower strata. While for reserves situated below the current facilities in operation, solutions will be found for better utilization through onsite gasification or through the sinking of shafts to the main galleries below the hydrostatic level by drilling large openings, concentration of efforts for working the upper strata appears to be an especially important need of the current stage of mining. In view of the volume of reserves available, the results of geological research, and the stage reached in lignite mining in Romania, the problem arises of increasing the level of recovery from the strata currently being worked by extending extraction to the second, or even third slice in thick strata where working in a single slice is (now) practiced. Or the mining of thick strata in a single four-meter or five-meter slice with the aid of new technologies could be applied. Implementation of the program

for development of lignite mining characterized by more extensive mining of reserves determines the comprehensive studies for each mine perimeter, in several versions, on the basis of the volume of reserves, the thickness and depth of the strata, and the presence and complexity of geological and hydrogeological difficulties, in order to arrive at the levels of economic and energy efficiency. On the basis of these levels, decisions will be substantiated through drawing the reserves into the economic cycle in a sequence permitting a high level of recovery.

To ensure proper working of lignite reserves it is necessary to rank these reserves according to work order and to establish production capacities in stages, so that the maximum recovery level, along with high economic and energy efficiency, will be achieved for a given deposit as a whole. For this purpose, another analysis should be made of the underground deposits currently mined, and also of those for which technical documentation has been so prepared so as to establish the possible strip mining to increase the reserve's level of recovery and economic efficiency. It is also necessary to analyze the deposits situated in the outcrop areas of mining fields so as to plan small-scale strip mines. For underground mining, it is recommended that suitable technologies be established for underground working through poorly reinforced formations and formations containing large amounts of water, along with technologies for mechanization of digging and reinforcement of mining operations.

Energy Efficiency of Extraction

The new phenomena which have appeared in the world economy, particularly the implications of a prolonged economic crisis and intensified energy crisis, have led to the emergence of new concepts of economic development, industrial structure, and energy consumption. In view of the special importance attached to the development of lignite mining and to the fact that lignite is to be used in thermal and thermoelectric power plants, where the conversion efficiency does not exceed 30 percent, it is a necessity of the first priority to determine the energy efficiency of extraction activities.

The fact that lignite is an energy source of relatively low heating capacity--1,750 kilocalories per kilogram or 250 kilograms of conventional fuel per ton--and that the specific consumption required for obtaining one unit of electric or thermal energy is 30 to 40 percent higher than that of hydrocarbons poses the problem of determining the amounts of energy, materials, and equipment which are consumed in the extraction of a given amount of lignite, expressing these amounts in conventional fuel units, and adding them together. Comparison of the equivalent energy consumption with the energy potential of the lignite mined leads to determination of the energy efficiency as expressed in the "net energy" indicator. In this connection, calculations of net energy in underground strip mining, in which the quality of the lignite and the type and specific conditions of the mine from which the lignite is obtained are taken into account, reveal

that the net energy represents a minimum of 94 percent. Similarly, it is believed that the future development of lignite mining, which will be accompanied by greater geological and hydrogeological difficulties, will not entail exceeding the combined energy consumption of 30 kilograms of conventional fuel per ton; this will represent a net energy of at least 88 percent of the energy potential of the yield mined, which shows a very high amount of energy is available for conversion.

The results obtained in determination of energy consumption and net energy point to the great potential for better utilization of lignite reserves in Romania, and at the same time, suggest that decisions regarding the inclusion of reserves in the economic cycle be based on an array of indicators ensuring maximum overall economic efficiency. Thus, lignite reserves can be better utilized through proper mining if the economic efficiency indicator level established is such as to be decidedly in favor of utilization of the total reserves available. At the same time, it must be accepted that in certain stages of the mining process, the economic and/or energy efficiency will be below the overall level for a deposit being mined.

Rapid development of lignite production, coordinated with sound management of available reserves, requires sustained mobilization of the branch's complete scientific research, planning and design, and production potential, as well as more steady assistance than has previously been the case, from other branches of industry, especially mechanical engineering, which must provide the tools and equipment needed for better utilization of available reserves and a higher level of recovery.

Oil, Gas Production Technology

Bucharest REVISTA ECONOMICA in Romanian No 20, 20 May 83 pp 9, 13

[Article by I. Aldea, director general of the Cimpina Institute for Oil and Gas]

[Text] Thermal methods of increasing recovery--steam injection, underground burning, and a combination of combustion and water injection successfully applied at many wells--will be constantly extended and improved. Other methods of increasing recovery will also be developed and improved; they include miscible processes, injection of water containing polymers, alternate injection of water and gas, and combination of these methods.

The following contribution is made by recovery enhancement methods to the total additional recoverable reserves of crude oil obtained: thermal methods-41.3 percent; miscible dislocation methods-47.2 percent. These values are comparable to those anticipated in countries with an advanced crude oil extraction industry.

The party, taking into account oil and gas' great importance as raw materials and sources of energy, devotes particular attention to development of the crude oil and gas extraction industry. As is shown by party documents, resolute action must be taken to ensure implementation of the long-term programs drawn up for this purpose, that is, for discovery of new reserves of crude oil and gas, for increasing the level of recovery from known deposits, and for large-scale application of advanced technologies in exploitation of reserves.

Geological studies show that many of the deposits as far down as 3,500 meters or more exhibit complicated geological conditions which have an adverse effect on the progress of geological operations and the cost of such work. In view of this situation, scientific research must lead to major improvements in the operation technology so that it will be possible in the near future to intensify geological operations in the areas in question.

As regards improvement in operating technology, since, worldwide, surface-level instruments and technology that detect hydrocarbons situated at a considerable depth are not available, emphasis must be placed on the most efficient possible application of indirect prospecting methods and methods of studying wells during the drilling process, as well as on detailed geological studies to speed up the process of determining which areas and sites might contain hydrocarbons, and within the context of these studies, the structural and stratigraphic elements which created conditions favorable for the formation of hydrocarbons. By proceeding in this manner we will reduce the number of discovery wells to the absolute minimum, and discovery of new oil and gas deposits will move forward at a rapid pace.

Increase in Recovery Level

To increase the level of recovery from crude oil deposits, in 1977, on the initiative of Comrade Nicolae Ceausescu, the "Program for Increasing the Final Recovery Level of Crude Oil Deposits in Romania" was drawn up. The program has been periodically updated, on the basis of the progress made in working deposits and the latest scientific research. An increase of several tens of millions of tons in crude oil and a production increase of around 24 million tons have been obtained over the 8 years during which the program has been in effect. The so-called conventional methods of enhancing recovery, water injection and gas injection have been improved and extended over this period, and thermal methods (underground burning, steam injection, and injection of water containing polymers) have been developed to the industrial application stage. At the same time, chemical recovery methods and carbon dioxide injection are in the field-testing stage.

The difficult activity of working new deposits is being paralleled by action to ensure an ongoing increase in the volume of reserves recoverable from known deposits, in order to reach a recovery level exceeding 40 percent. The methods employed, however, are accompanied by severe corrosion and demulsification problems which must be solved, because they will be greatly intensified by abrasion problems. Inhibitors resistant to very high temperatures and special demulsification methods will be necessary.

Chemical recovery facilities will be developed so that the crude oil produced by these methods may be obtained at the lowest possible production cost. Complex instruments will also be developed for surface and well bottom meters, in order to optimize the methods and establish their applicability to a deposit. At the same time, intensive work will be undertaken to develop resources to computerize the processes of increasing recovery volume.

On the other hand, in the near future there are plans to institute working of shallow oil deposits with suitable technologies. A highly promising beginning has been made at Sarata-Monteoru in Buzau County, where sizable amounts of oil are already being obtained by the mining method. As for increases in the recoverable reserves of natural gas, the problem is just as important as for oil, since extensive possibilities exist for increasing the production potential in this sector. It is known that the recovery factor may go as high as 95 percent or even higher in the case of shallow gas deposits from which the wells pump without water to the end of the operation and which are characterized by high permeability. If the permeability is low, the values drop as low as 70 percent, and if it is very low, the reserves are considered not to be in the energy budget, that is, not to be workable with current technologies. In the case of deposits from which well pumping involves water, the final recovery factor is 70 to 80 percent, even in the event of high permeability. In view of this situation, it is necessary to improve recovery from gas deposits. For this purpose, consideration must be given to work in the following directions:

- development of technologies and equipment which increase well productivity and working of wells at industrial flow rates, until the pressure in the deposits drops to a value near that of atmospheric pressure;
- development of technologies and equipment for working gas deposits after the surface pressure has dropped to the atmospheric pressure value;
- development of technologies and equipment for gas well production involving large amounts of liquid.

In solving all these problems the oil industry must cooperate closely, in particular, with technological engineering institutes and specialized units in mechanical engineering, the chemical industry, and metallurgy.

The geological research conducted up to the present has revealed the existence of so-called nonconventional sources of natural gas. This is gas contained in marls and clays in certain sedimentary basins, gas contained in coal deposits, and gas dissolved in water at high temperatures and pressure and situated at great depths. Hence, research and development will be carried out so that technologies and equipment needed for utilization of these resources will be available within a very short time.

Extension of Advanced Technologies

The working conditions involved in the discovery and better utilization of hydrocarbons deposits become increasingly difficult with the passage of time. Under these conditions it is necessary to modernize current technologies and

to develop new drilling and extraction technologies and implement them. For example, attention must be concentrated especially on improving the technology of rotary drilling and on development of new technologies connected with lifting, collection, and processing of crude oil and gas.

Rotary drilling technology will be improved essentially by using better drilling fluids, improving the elements of the drilling string, and optimizing the drilling process itself. Attention will be given to the development of drilling fluids for difficult pressure and temperature conditions (2000 atmospheres and 300 degrees centigrade), low-density drilling fluids, and fluids which have an appreciable influence on interaction between drill bit and rock. Application of heavy weights to the drill bit without the use of excessively long, heavy drill rods and development of devices and methods for reducing the pressure on the well bottom while maintaining high pressure in the annular space are also very important in improving rotary drilling technology.

The efforts applied toward improving rotary drilling technology will be paralleled by efforts to extend optimization of the drilling process. At the same time, mechanization and automation of the drilling process will be extended, with an effort made to use optimized programs associated with automated drilling and operating facilities. To increase drilling efficiency, especially at great depths, drilling technologies will be developed which differ essentially from the rotary drilling technology and which are more efficient. Attention will be concentrated primarily on high pressure drilling technology.

As regards improvement in the current technologies and development of new technologies connected with lifting, collection, and storage of crude oil and gas, attention will be devoted to technologies associated with very deep wells and to processes for increasing recovery from crude oil and gas deposits. For instance, simple technologies must be developed for pumping crude oil from very deep wells with low oil levels and for utilizing and increasing well productivity. This is necessary since the customary technologies do not yield the results desired when applied to great depths under high pressure and temperature conditions. Since the current wells of ordinary depth hold significant production potential, special attention will be devoted to automation, control, and operation of these wells. Full automation will permit optimization of operation and automatic monitoring of the established programs. In order to reach this stage, efforts must be made to solve the problems posed by paraffin deposits and by crusts and sand floods.

Application of new technologies requires production of new materials, equipment, and facilities. Drilling and working at great depths require tubular materials and extraction equipment which can resist high stress (2000 atmospheres and 300 degrees centigrade) and intense corrosion. Inhibitors are also required to counteract corrosion by boiling gases with high carbon dioxide and hydrogen sulfide contents. In this connection the crude oil and gas extraction industry has requested the necessary assistance from the metallurgical, mechanical engineering, and chemical industries. Although some of the requests have been met, much still remains to be done in order to provide the wide range of equipment and metallurgical and chemical materials needed; the units specializing in these areas must speed up research and preparation for large-scale manufacture of requested products so that as early as 1983 the oil industry may begin receiving the materials and equipment needed to significantly increase hydrocarbon production.

STATUS OF MARITIME SHIPPING IN 1982

Belgrade TRANSPORT in Serbo-Croatian Apr 83 pp 19-22

[Article by Gordan Matijevic: "Business Operation of Work Organizations in Maritime Shipping in 1982"]

[Excerpt] 1. Principal Conditions for the Business Operation of Maritime Shipping in 1982

An increasingly difficult situation has come about on the world market for ship cargo space in the latter half of the seventies, and during 1977 and 1978 it was extremely difficult, though during 1979 this crisis was mitigated somewhat, in 1981 and especially 1982 it resumed with adverse trends on the maritime shipping market, and since that time there has been a steady trend toward lower shipping rates.

The slower growth of world trade has not made for development of the shipping industry's business, and the higher cost has exerted a strong pressure on its financial condition, so that shipping is now in a situation where it must wage a fierce fight to keep pace with technological changes as well as with the ever greater competition at a time when the volume of world trade is decreasing.

Since the beginning of the year shipping rates on the market have been dropping steadily, rates in the fourth quarter reaching such a low level that maritime shippers in the world were operating at a loss, which indicates that we are in a phase of recession everywhere in the world, and it appears to be long-lasting. The difficult situation on the international maritime market has also brought about an increase in the number of vessels undergoing surveying and repairs which amounted to 1,549 vessels with a total tonnage of 86.8 million, which is 12.4 percent of world tonnage.

Comparing rates for dry cargo in November 1982 with those for November 1981, there was a drop of 14 percent, and the average rate index was down 18.7 percent.

There was an appreciable drop of rates for time charters, amounting to 36.1 percent from November 1981 to November 1982, and the average rate dropped 38.7 percent.

For general-purpose and medium-sized tankers this drop was somewhat less severe and averaged 9.8 and 9.5 percent, respectively, while the average drop in rates was 12.5 and 13.7 percent for large and supertankers, respectively.

Rates for carrying general cargo in line shipping rose an average of only 1.8 percent. This minimal increase of line shipping rates was insufficient to keep up even approximately with the rate of inflation, especially with rising costs in ports.

In 1983 the cargo space market does not promise any improvement at all, although a minimum growth is expected for the traffic of bulk cargo. The possible economic recovery of the advanced countries will not immediately improve results on the cargo space market or with respect to rates.

2. Status and Development of Capacity of the Yugoslav Merchant Marine

The table below shows ship capacity over the last 3 years.

Table 1

<u>Description</u>	<u>Status of Fleet</u>			<u>Index 82/81</u>
	<u>1980</u>	<u>1981</u>	<u>1982</u>	
Number of vessels	339	332	327	98.5
Gross registered tons	2,460,240	2,458,311	2,452,068	99.7
Deadweight tonnage	3,806,421	3,813,279	3,803,744	99.7

There has been a constant decline in shipping over the last 3 years both in terms of the number of vessels and also with respect to tonnage. For example, at the end of 1982 there were 12 fewer vessels than in 1980 and a drop of 8,172 gross registered tons (14 worn-out vessels were scrapped in 1982 alone). The trend of the negative growth rate is anticipated in the current year.

This is the first time since World War II that our maritime shipping has experienced such a serious decline instead of the growth sketched out in the development plan. The age of the capacity of maritime shipping is especially disturbing; it is steadily deteriorating because of low purchases of new ships, so that the share of ships over 15 years old increase in terms of their numbers from 38.5 percent in 1971 to 47.8 percent in 1975, and then in 1982 it rose to 57.5 percent.

The lag of shipping in its development is best illustrated by ship purchases over the last two medium-term development planning periods. The first, which covered the period from 1971 to 1975, was carried out at a level of only 27 percent, and the second, covering the period from 1976 to 1980, was fulfilled at 44.7 percent in terms of gross registered tons. Instead of 461 vessels at the end of 1980, the shipping industry had only 339. Because of the failure to carry out the anticipated replacement of the older vessels during the last two medium-term periods, the age of the Yugoslav fleet has been steadily deteriorating, so that at the end of 1982 the average vessel age was 16.7 years, so that today we have 188 vessels which are more than 15 years old, so that the fleet's competitiveness for successful business operation is declining.

This means that this fleet is unable to conduct business successfully because of the outdated technology, high fuel consumption, greater difficulty in finding cargo, and as a consequence a loss of reputation gained previously, and so on. Aside from that some of the world's seaports have refused to accept vessels more than 15 years old.

Prospects for carrying out the current medium-term development plan, covering the period 1981-1985, are minimal, since of the planned purchases of vessels in the current planning period the following have so far been done are contracted for:

- i. 18 new vessels have been contracted for within the country for delivery in 1983 and thereafter, amounting to 378,300 deadweight tons;
- ii. 1 newly built vessel has been imported from the clearing area with 4,600 deadweight tons;
- iii. 4 used vessels have been imported, totaling 16,796 deadweight tons.

3. Specific Indicators and Economic Results

a) Cargo Traffic

The total volume of traffic and the share of types of traffic carried by Yugoslav vessels are shown in Table 2.

Table 2

<u>Indicator</u>	In 000 tons				
	<u>1981</u>	<u>1982</u>	<u>Index</u>	<u>Distribution</u>	
				<u>1981</u>	<u>1982</u>
Exports	1,226	1,390	113	4.8	5.6
Imports	7,655	6,783	89	29.9	27.4
Exports + imports	8,881	8,173	92	34.7	33.0
Transit	753	516	69	3.0	2.1
Total through our seaports	9,634	8,689	90	37.7	35.1
Between foreign seaports	13,447	13,854	103	52.6	56.0
Total international traffic	23,081	22,543	98	90.3	91.1
Domestic coasting	2,476	2,196	89	9.7	8.9
Total cargo traffic	25,557	24,739	97	100.0	100.0

Source: Figures supplied by work organizations.

The total volume of cargo carried by our vessels was down 3 percent from the previous year, and international traffic (export, import, transit and cross trade) was down 2 percent, while coasting between domestic seaports was down 11 percent. The traffic of exports was up 13 percent, but imports showed a drop of 11 percent, and the participation of our vessels in carrying our exports and imports as a whole was down 8 percent. The volume of transit traffic

carried by our vessels through our seaports was down all of 31 percent. All things considered, the volume of traffic through our seaports was down 10 percent, while the volume between foreign ports was up 3 percent.

No very significant inclusion of our shipping in carrying exports and imports was achieved because certain parts of the system which were to make it possible to cover actual costs denominated in foreign exchange involved in carrying this cargo on foreign routes were adopted tardily.

b) Foreign Exchange Results

The balance sheet for foreign exchange transactions by maritime shipping in 1982 is shown in Table 3.

Table 3

<u>Indicator</u>	In millions of dollars		
	<u>1981</u>	<u>1982</u>	<u>Index</u>
Inflow of foreign exchange	1,018.7	854.2	84
Breakdown:			
Convertible	611.5	537.6	88
Bilateral payment	28.3	18.6	64
Foreign exchange dinars under Article 54 of the Law on Foreign Exchange ...	378.9	298.5	79
Outflow of foreign exchange			
Breakdown:			
Convertible	616.4	558.6	91
Bilateral payment	7.0	6.4	91
Net inflow of foreign exchange	395.3	289.2	73
Breakdown:			
Convertible	-4.9	-21.0	428
Bilateral payment	21.3	11.7	55
Foreign exchange dinars under Article 54 of the Law on Foreign Exchange ...	378.9	298.5	79
Rate of the net inflow of foreign exchange, %	37.8	33.8	89

Maritime shipping's inflow of foreign exchange has been growing constantly in spite of the slow renewal of capacity over the last two medium-term planning periods. The growth trend of the inflow of foreign exchange continued again in 1981. However, because of the unfavorable conditions for conduct of economic activity on the world market the inflow of foreign exchange in 1982 was appreciably smaller, indeed all of 16 percent, although the volume of international cargo traffic was down only 2 percent, but operating costs were up over the previous year (\$66.1 had to be spent to realize \$100 in 1982, while in 1981 it took only \$61.2).

Foreign exchange transactions in 1982 took place under more problematical conditions than in 1981. A drop in shipping rates was recorded, and operating costs also showed a growth trend except for fuel.

MARITIME PORT OPERATIONS IN 1982

Belgrade TRANSPORT in Serbo-Croatian Apr 83 pp 22-26

[Article by Ljubinka Miljanovic: "Analysis of the Business and Economic Operation of Work Organizations Operating Seaports in 1982"]

[Text] Physical Volume of Port Services

Total Volume of Cargo

Unfavorable economic developments during 1982 tended to reduce the physical volume of transportation services, so that between 1981 and 1982 the number of passengers carried dropped 3.4 percent and passenger-kilometers were down 1.5 percent, the volume of cargo carried was down 1.7 percent and cargo ton-kilometers were down 7.4 percent.

There was also a drop in the volume of maritime traffic (the quantity of cargo carried was down 7.8 percent and traffic (ton-kilometers) was down 9.5 percent), which affected the drop in total cargo traffic between seaports.

According to figures of the Federal Bureau of Statistics, in 1982 the total volume of cargo in all Yugoslavia's seaports was 31,816 million tons, which was a drop of 6.6 percent from the previous year.

Of the total cargo traffic in 1982 domestic vessels carried 12,996 million tons, or 40.8 percent, while in 1981 domestic vessels carried 14,192 million tons, or 41.9 percent.

The table below shows the trend of total cargo traffic through all Yugoslav seaports over the last 5 years:

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1982/81</u>
Cargo, in millions of tons	27.1	30.1	33.8	33.9	31.8	93.8

In the period 1978-1981 the average growth rate of the total volume of cargo in ports was 5.76 percent.

The high volume of cargo in seaports recorded in 1980 and 1981 was the result of larger trade in crude petroleum (the oil pipeline from Omisalj went into operation in 1980). In 1982 there was a sizable drop in the volume of cargo traffic in seaports because of our general economic situation in the country, the crisis and recession with transit partners, and also the situation in the Near and Middle East.

The grouping of seaports which are members of the General Yugoslav Transport Organization does not embrace the entire operation of all Yugoslavia's seaports, but only support services rendered by work organizations specialized in cargo-handling, storage and other services in handling cargo through seaports, as well as services rendered to vessels (mooring and casting off, port piloting, tugboat service, water supply, electric power, etc.) and that only in the most important seaports: Koper, Pula, Rijeka, Zadar, Sibenik, Split, Ploce, Metkovic, Dubrovnik and Bar, so that the figures given below pertain only to those ports.

In 1982 these ports transshipped 16,563 million tons of cargo, or 10 percent less than in 1981. The declining trend of public transshipment by seaports is very disturbing, since the traffic handled in 1982 was less than the traffic handled in 1978.

Within the grouping the "Port of Rijeka" had the largest share in total traffic in 1982 (37.7 percent), followed by the "Port of Ploce" (17.6 percent), the "Port of Koper" (16.2 percent), the "Port of Bar" (8.5 percent), and so on.

In the breakdown by regions, the seaports had the following cargo traffic over the last 2 years:

<u>Seaports</u>	<u>1981</u>		<u>1982</u>	
	<u>Thousands of Tons</u>	<u>%</u>	<u>Thousands of Tons</u>	<u>%</u>
Northern Adriatic ports (Koper, Pula and Rijeka)	10,502	57.0	9,448	57.0
Middle Adriatic ports (Zadar, Sibenik and Split)	2,525	15.7	2,207	13.3
Southern Adriatic ports (Ploce, Metko- vic, Dubrovnik and Bar)	5,371	29.3	4,908	29.7

The figures indicate that the share of the northern Adriatic ports in total transshipment has been growing for several years now, and the reason for this is certainly the favorable geographic position which those ports have relative to the hinterland as well as the use of modern port technology.

The procentual share of the northern Adriatic ports in the grouping's total traffic depends directly on the trend of transit cargo (when transit falls off, the share of the northern ports in total transshipment of the grouping also falls off, and vice versa). However, in 1982 this was not especially marked, since the northern ports increased their acquisition of domestic cargo in proportion.

Transshipment through southern Adriatic ports was affected mostly by overall economic conditions and the measures of foreign trade policy, while the middle Adriatic ports relied on the needs of local industry (Zadar) and on traditional cargoes (phosphates), which are guaranteed by long-term contracts (Sibenik-Kutina), and so on.

The breakdown of the total volume of cargo according to the principal categories was as follows for all Yugoslavia's seaports in 1982:

- i. domestic traffic (loading and unloading) amounted to 4.9 million tons, which is 15.9 percent, and it was down 8.5 percent from 1981;
- ii. international traffic (imports, exports and transit) amounted to 26.9 million tons, or 84.5 percent, and was down 6 percent from 1981: exports were up 8 percent, imports were down 6.3 percent, and transit was down 15.6 percent.

Viewed at the level of the grouping, the situation has been as follows over the last 5 years:

<u>Indicator</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1982/81</u>
Total transshipment in thousands of tons	16,574	18,698	18,744	18,398	16,563	90
Domestic traffic	2,120	2,633	1,578	1,833	1,755	95
International traffic	14,454	16,064	17,166	16,565	14,808	89
Exports	1,547	1,804	1,898	1,409	1,635	116
Imports	7,165	8,595	9,356	9,047	8,467	93
Transit	5,742	5,666	5,912	6,109	4,706	77

It is clear that imports of goods through our seaports is dominant over the other types of traffic and represents half of the total (8,467 million tons in 1982). Restrictions on imports related to the country's trade deficit and deficit in the balance of payments, restriction of investment projects, the reduction of all forms of demand and the turn toward our own sources and raw materials affected the size of imports through our seaports, so that the share of imports in total transshipment increased negligibly for the seaports at the level of the grouping, and the share of imports in total port traffic through all Yugoslav seaports remained at the level of the previous year (56.9 percent).

The past year has for us been typified by general efforts to increase exports and reduce the trade deficit, so that the share of exports in total traffic in 1982 increased slightly (from 7.66 percent to 9.87 percent) and amounted to 1.6 million tons for these 10 ports.

The total volume of transit cargo carried through Yugoslav seaports in 1982 was smaller than the volume of cargo carried in 1978. The reduction from 1981 was about 23 percent. The volume of transit cargo carried in 1982 was at the level of transit traffic in 1973.

Smaller results were recorded in transit traffic through seaports because of the reduction of Czechoslovak seaport transit by about 22 percent (it has a 33-percent share in total transit traffic through seaports), a 21-percent drop for Austrian traffic (with a share of about 32 percent in total transit, representing 4,706 million tons), a 10-percent drop for Hungarian traffic (whose share is 21 percent), and the transit traffic of other countries dropped all of 41 percent.

In the breakdown by seaports in 1981 transit traffic increased only in the "Port of Koper" by 2 percent, while it dropped in all the other ports: about 30 percent in the "Port of Rijeka," more than 50 percent in the "Port of Ploce," and about 68 percent in the "Port of Bar."

Over the last 5 years the various ports had the following shares in total transit cargo traffic:

	Share, %				
<u>Seaports</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Koper	13.45	11.45	17.98	17.89	23.74
Rijeka	76.75	81.47	76.04	73.04	71.78
Split	0.75	0.26	1.37	2.88	1.15
Ploce	8.60	5.43	3.08	4.38	0.47
Bar	0.38	0.16	0.44	0.96	0.47
Other ports	0.66	1.30	1.07	0.73	0.48

Transit cargo mainly goes through the "Port of Rijeka" and the "Port of Koper" (all of 95 percent in 1982), with the largest share in total transit traffic going through the "Port of Rijeka," but its share has been dropping since 1970.

The reasons for this drop in the volume of transit traffic through our seaports might be the following:

- i. the sizable technological lag of our seaports as compared to competitive foreign transportation routes,
- ii. stabilization of the political and economic situation in Poland, which is making it possible for our transit partners in other countries belonging to CEMA to make greater use of the Baltic route through the Polish seaports, where transport services are paid under bilateral payment agreements,
- iii. greater orientation of the CEMA member countries to meet their needs through mutual commodity trade, which is reducing their outflow of convertible foreign exchange,
- iv. restrictive measures adopted by transit partners (Hungary, Austria, Czechoslovakia) because of the general world recession,
- v. reorientation of Austrian partners to Italian ports because of the favorable trend of the rate of exchange of the lira against the shilling,

vi. armed conflicts in the Near and Middle East,

vii. poor line service by domestic vessels from our seaports to the rest of the world, which certainly makes it more difficult to obtain transit cargo.

Container Traffic in Seaports

Yugoslav seaports have always lagged behind the technologically advanced competitive foreign ports with respect to use of up-to-date technology for integrated transportation in which container traffic represents one of the principal types of transport.

In recent years container traffic in our seaports has been developing at a somewhat faster pace, so that the ports of Koper, Rijeka, Ploce and Bar have container terminals with modern equipment, the "Port of Koper" being our most highly developed port for container traffic.

These four ports have had the following container traffic over the last 5 years:

Number of containers, converted to 20-foot containers						
<u>Indicator</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1982/81</u>
Koper	19,574	31,022	37,831	49,023	40,834	83.0
Rijeka	10,895	13,975	17,177	19,738	26,866	136.0
Bar	194	313	563	2,990	4,395	150.0
Ploce	79	143	350	2,043	2,023	99.0
Total	30,742	45,453	55,921	73,794	74,118	100.4
Quantity of goods in tons	226,384	364,343	491,412	599,412	509,074	85.0

The share of the various ports in total container traffic, corrected for prices on the domestic market, was as follows: Koper 57 percent (1981 66 percent), Rijeka 36 percent (1981 27 percent), Ploce 3 percent (1981 3 percent), and Bar 4 percent (1981 6 percent).

The figures on the trend of container traffic involving exports, imports and transit indicate that only containers carrying imports were on the rise, showing a growth of about 24 percent (16,795 containers), while containers being exported dropped off 2.4 percent (27,119 containers), and the drop in transit with 7.6 percent (204 containers), while the quantity of containerized goods dropped off 18.4 percent for exports, 10.4 percent for imports and 21 percent for transit cargo.

The share of exports, imports and transit in total container traffic through all Yugoslav seaports has been as follows (in terms of the number of containers).

In percentage

<u>Indicator</u>	<u>1981</u>	<u>1982</u>
Exports	38	37
Imports	18	22
Transit	<u>44</u>	<u>41</u>
Total container traffic	100	100

It is obvious that we have the largest number of transit containers, but that share in total container traffic in 1982 was down from the previous year.

The largest reduction in the number of container traffic was recorded by the "Port of Koper" (17.2 percent), and the drop of transit cargo traffic was all of 38.8 percent.

Financial Operation of the Yugoslav Seaports

Gross Income, Costs and Income

Gross income in 1982 was 10,286 million dinars, and it grew in line with the trend of trade, corrected by prices on the domestic market. The 25.7-percent growth of gross income, given a 32.2-percent rate of inflation, put the Yugoslav seaports in less favorable operating conditions in 1982 than in the previous year. Gross income was above the average for the grouping in the "Port of Koper" (36.6 percent), the "Port of Dubrovnik" (30 percent) and the "Port of Ploce" (29 percent).

In the breakdown of gross income revenues on the domestic market comprise 47 percent, revenues on the foreign market 30 percent, revenues within the organization of associated labor 10 percent, and revenues realized through free exchange of labor, revenues from foreign exchange incentives and positive differences in rates of exchange also made up 10 percent.

A sizable portion of revenues were realized on the world market, which is very important when we realize that in rendering their services the seaports do not have the burden of importing materials that go into their product.

However, the growth of revenues (in 1982) realized through free exchange of labor is disturbing, since these revenues are a burden on production, and they have to do with payment for joint services in the seaports serving several OOUR's [basic organization of associated labor].

The 40-percent increase of internal transactions in 1982 (1,025 million dinars) also requires serious analysis in order to ascertain how wise those transactions are. Costs rose 32.9 percent in 1982. Costs rose faster than the growth of gross income mainly because of the rise of depreciation all of 112.4 percent and the rise of costs of major repairs amounting to 51.3 percent, as can be seen from the following table.

<u>Indicator</u>	<u>1981</u>		<u>1982</u>		<u>Index</u>
	<u>Millions of Dinars</u>	<u>%</u>	<u>Millions of Dinars</u>	<u>%</u>	
Gross income	8,276		10,399		125.7
Costs	3,254	100.0	4,323	100.0	132.9
Raw materials and supplies	556	17.1	615	14.2	110.5
Major repairs	375	11.5	568	13.1	151.3
Depreciation	495	15.2	1,052	24.3	212.4
Other	1,827	56.1	2,089	48.3	114.3

Since costs rose faster than gross income, income in 1982 showed a slower growth and amounted to 6,076 million dinars. It was about 1 percent, or 57.7 million dinars, less than distributed income.

The portion of income for the work community in 1982 was 8 percent (495 million dinars), the share of income for premiums and insurance 2.3 percent (139 million dinars); depreciation above the prescribed rates was 2 percent of income (12 million dinars), and the share of income for interest 5.7 percent (348 million dinars).

The difference between distributed and realized income, amounting to 57.7 million dinars, represents the loss of the Port of Bar, which is in a difficult position because it is unable to meet its own credit obligations.

Net income was distributed as follows:

<u>Indicator</u>	<u>In millions of dinars</u>		
	<u>1981</u>	<u>1982</u>	<u>Index</u>
Net income	3,592	4,365	121.5
For personal incomes	3,504	3,199	127.8
Social services and housing construction	404	367	91.0
Business fund	310	416	134.0
Reserve fund	160	172	107.0

The growth of personal incomes did not keep pace with the rise of the cost of living.

In the breakdown of income resources for the business fund amounted to 9 percent, which is altogether inadequate to meet the needs of the ports. The absolute amount of these resources for all the ports, which was 416 million dinars, was not enough for any serious undertaking even in one port.

This year 27.8 percent more than in 1981 was set aside at the level of the grouping for personal incomes, and their share in income realized in 1982 was 38.6 percent. In 1982 average net personal incomes paid per worker amounted to 15,458 dinars, which is 32 percent more than in 1981. Since the cost of living rose by the same amount, real personal incomes remained at the 1981 level.

The "Port of Rijeka" achieved the highest personal income per employee in 1982 (17,585 dinars). The average net personal income was above the average for the grouping in the "Port of Koper" (17,373 dinars), and the total amount of net personal incomes of these two ports constituted more than 50 percent of the total amount of funds for personal incomes. The lowest personal income was paid by the "Port of Zadar" (12,019 dinars).

The average size of the labor force at the level of the grouping in 1982 was down 1 percent from 1981 and amounted to 12,712.

Resources of Work Organizations Operating Seaports

Total business assets of the grouping in 1982 amounted to 29,544 million dinars, or 42 percent more than in 1981.

The purchase value of fixed capital was 38,307 million dinars, more than 50 percent of which consists of infrastructure.

Investments in the fixed capital of OUR's [organization of associated labor] operating seaports in 1982 amounted to 3,118 million dinars (74 percent more than in 1981).

Sources of business assets increased in line with the growth of business assets. Long-term sources of business assets amounted to 7,986 million dinars, 1,511 million dinars of which were pooled funds, 6,467 million dinars long-term credits (the "Port of Bar" alone had long-term credits in the amount of 4,075 million dinars).

As for the indebtedness of work organizations for investments in fixed capital, as of 31 December 1982 the status was as follows:

i. dinar credits amounted to 2,703 million dinars and credits denominated in foreign exchange 3,309 million dinars, which is up 37 percent over the past year (because of the change in the rate of exchange).

The reproductive capacity of work organizations operating seaports in 1982 was up 20 percent (rising from 5.5 percent to 6.6 percent) over the previous year. This increase was the result of larger appropriations for depreciation. Those ports increasing their reproductive capacity were the "Port of Koper" (11.5 percent), the "Port of Rijeka" (9.4 percent) and the "Port of Metkovic" (13.0 percent).

Labor productivity measured in the ratio of tons of traffic to the number of employees was down all of 10 percent.

The profitability of business operation measured as the ratio of income to average business assets used was down 11 percent.

Business efficiency was down 6 percent, which resulted from the steady rise of prices related to costs.

Foreign Exchange Transactions

The total inflow of foreign exchange of work organizations operating seaports is invisible in nature and is realized by rendering services to foreign partners.

In 1982 the grouping of work organizations operating seaports had a foreign exchange inflow of \$61,345.00 U.S., which is down 18 percent from 1981.

There was a particular drop in the inflow from services related to transit cargo (18 percent), which has a share of 82.78 percent of the total inflow, and it is realized mainly in the "Port of Rijeka" and the "Port of Koper" (63.7 percent).

The "Port of Rijeka" has a share of 61.1 percent in total inflow of foreign exchange, the "Port of Koper" 22.6 percent, the "Port of Ploce" 6.2 percent, the "Port of Bar" 2.9 percent, and so on.

The total outflow at the level of the grouping amounted to \$18,746,500 U.S. and was down 9 percent from 1981. The highest percentage of the outflow of foreign exchange had to do with repayments of loans (67.7 percent), and then came spare parts and supplies, 10.1 percent, and equipment, 8.5 percent. More than half of the grouping's outflow of foreign exchange was incurred by the "Port of Bar" because of its high obligations under credits, and in 1982 it had a negative foreign exchange balance.

The inflow of convertible foreign exchange represented 71.2 percent of the total inflow of foreign exchange.

It is significant that in 1982 all the seaports had a smaller inflow of foreign exchange than in 1981.

The net inflow of foreign exchange at the level of the grouping was down 22 percent from 1981 and amounted to \$42,607,500 U.S., 60 percent of which was in convertible currencies. The largest net inflow of foreign exchange was re-achieved in the "Port of Rijeka" 72 percent, the "Port of Koper" about 26 percent, while this share was lower for the other ports.

Assessments and Conclusions

1. Since total transshipment of cargo in the grouping was down 10 percent this year from 1981, we need to emphasize once again that 1982 has been extremely unfavorable for the Yugoslav seaports, which went back to the 1978 level in the volume of traffic.
2. One particular problem was the drastic 23-percent drop in transit cargo, all of 1.4 million tons. The existing port capacity was thereby underutilized, the inflow of foreign exchange was down \$14 million from the previous year, and all of this jeopardized realization of the medium-term plan for development of the seaports up to the year 1985 both from the standpoint of resources and also from the standpoint of investments. An exception is made here for

undertakings to modernize seaport capacity, without which even the present cargo might be lost.

3. Traffic through our seaports will remain stagnant in the future as well unless raw materials are imported to Yugoslav industry and unless all participants in carrying transit cargo show greater flexibility: the seaports, the railroads and also the shipping companies.

4. In 1982 the seaports operated under extremely difficult conditions of the recession on the world and domestic markets, which brought about a drop in traffic and modest financial results. The 25.7-percent growth of gross income when the rate of inflation was 32 percent indicates a drop of financial results compared to 1981.

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LIQUID FUEL CONSUMPTION, CONSERVATION IN TRANSPORTATION 1980, 1981

Belgrade TRANSPORT in Serbo-Croatian Apr 83 pp 13-17

[Article by Dobrasin Rajcevic, M.A.: "Favorable Impact of Federal Executive Council Measures on Liquid Fuel Conservation in Transportation"]

[Text] The shortage of liquid fuels and the ever greater efforts to invest the bulk of social accumulation in construction of new fuel and power facilities have led even much richer countries to the point of asking themselves whether the dizzying consumption of liquid fuels is truly in their interest. From the practical standpoint they have begun in every country to look for ways of reducing the need for large quantities of liquid fuels.

A society which wishes to reduce consumption of liquid fuels in transportation can resort to technical solutions or social solutions.

The technical solutions do not require any essential change in behavior--it is sufficient to change the type of technical equipment, changing the form of energy which is used for power. If this is not possible, in our case because we are not a country which sets aside large resources for scientific research on the technical equipment which is now current, the orientation must be toward the use of compact cars. The social solutions on the other hand require that people live and work in a different way than up to now. The basic "social" method of preserving liquid fuels would be conservation.

An Inventory of Transportation Equipment

Transportation is certainly a subsystem in which large savings of energy are possible. Since the greatest shortage is that of liquid fuels, highway and rail transportation could achieve significant savings and reduce pressure on the country's balance of payments. In rail transportation, since it has mixed traction, reduced consumption is made possible by more extensive electrification.

The following table shows that our highway transportation is the largest consumer of liquid fuels (gasoline, petroleum, lubricants) in view of the number of pieces of transportation equipment and the diversity of its makeup.

Vehicles Registered in 1980	Elements			
	Number of Vehicles	Technical Operability Index	Total Number of Vehicles in Operating Condition	Percentage of Total
Passenger cars	2,438,962	0.70	1,707,973	81.9
Buses	24,424	0.71	17,341	0.8
Trucks	190,501	0.78	148,590	7.1
Special vehicles	27,797	0.82	22,793	1.2
Tractors	230,839	0.81	186,979	8.9
Total	2,913,523	0.71	2,083,676	100.0

Passenger cars are the most numerous units with 81.9 percent of the total. Statistical monitoring has established that the average passenger car has 40 HP. If we add to this buses, trucks and other vehicles, total power amounts to 70 million HP, which is fourfold more than the capacity of all our power plants (about 18,000 MW; 1 HP = 735.5 watts).

Transportation Capacity in Operation

If we examine total transportation capacity with respect to the various kinds which make it up, there is an evident relationship between that transportation capacity rendering services on a large scale and those units of transportation equipment which are used to meet individual needs. That is, as we have said, of all the motor vehicles in our country 81.9 percent are used to meet private needs, and only 18.1 percent are intended for production services, i.e., services which share in creation of the newly created value. In other words, the number of passenger cars, which is 2,438,962, is too great from the standpoint of rendering large-scale transportation service (commuting to and from work) and represents unnecessary consumption from the standpoint of the economic system. However, even this is a complex category,* since it includes both private passenger cars and passenger cars referred to as "official vehicles" of government administrative agencies and OUR's [organization of associated labor] in the following relationship:

Elements	Vehicles Registered in 1980			
	Passenger Cars	Distribution	Operability Index	Total
Total passenger cars	2,439,962	100.0	0.70	1,707,973
Official cars	130,000	5.4	0.70	91,000
Private cars	2,309,962	94.6	0.70	1,616,973

On the other hand trucks are also a very complicated category, showing the following distribution:

* "Saobracaj i veze 1980 godine" [Transportation and Communications 1980].

<u>Category of Trucks</u>	<u>Vehicles Registered in 1980</u>			
	<u>Trucks</u>	<u>Distribution</u>	<u>Operability Index</u>	<u>Operating Truck Pool</u>
Total number	190,501	100.0	0.78	148,590
Common carriers in the socialized sector	24,784	13.0	0.78	19,331
Private carriers in the socialized sector	109,645	57.5	0.78	85,525
Privately owned trucks	56,068	29.5	0.78	43,733

Common carriers in the socialized sector of the trucking industry, which are the principal type of transport rendering large-scale services, possess only 13.0 percent of the capacity, or 24,784 trucks, which is a lower share than that of private carriers in the socialized sector and privately owned trucks.

Fuel Consumption of Passenger Cars

Since statistics on liquid fuel consumption are not kept in a way that makes it possible to total up consumption for passenger cars, we can ascertain past consumption by using the estimated average consumption. Consumption is as follows for "official" passenger cars:

	<u>Number of Cars</u>	<u>Average km/yr</u>	<u>Average Consumption in kg/100 km</u>	<u>Total Consumption in Tons</u>
Official cars	91,000	38,000	8.6	297,388

An average annual travel of 38,000 km gives an average daily run of 144 km per working day. Assuming an average consumption of 8.6 kg per 100 km, the total consumption of this category of vehicles is 297,388 tons for the year.

Since records are not kept on privately owned vehicles either, we have to use the method of estimated consumption of liquid fuels as follows:

	<u>Number of Cars</u>	<u>Average km/yr</u>	<u>Average Consumption in kg/100 km</u>	<u>Total Consumption in Tons</u>
Privately owned passenger cars	1,616,973	6,000	8.6	834,358

An average annual travel of 6,000 km gives an average daily run of 17 km for each calendar day.

According to what we have said, total consumption of passenger cars in the country is 1,131,746 tons of liquid fuels, which requires primary refining of about 5,138,126 tons of crude petroleum.

Since operating conditions for trucking are much more difficult and fuel consumption higher (because of the maneuvering that must be done at loading and unloading points), records on consumption are both more complicated and

important from the economic standpoint. In view of the methodological approach which has been defined* as normal for computation of consumption in 1981, the relations given in the table below were established.

<u>Elements</u>	<u>Total Number of Vehicles</u>	<u>%</u>	<u>Tons</u>	<u>%</u>	<u>Tons/yr</u>
Total	165,930	100.0	2,359,879	100.0	14.2
Passenger transportation	17,341	10.4	244,954	10.3	14.1
Trucks	148,589	--	2,141,925	90.7	14.4
Common highway carriers in the socialized sector	19,331	11.7	709,755	30.2	36.7
Private carriers in the socialized sector	85,525	51.6	924,580	39.2	10.8
Privately owned trucks	43,733	26.3	480,590	20.3	10.9

Total liquid fuel consumption for bus and truck transportation in 1981 was 2,359,879 tons, but we should mention that aside from petroleum the total amount also includes gasoline used in the garage to maintain transportation equipment.

The highest consumption of liquid fuel per vehicle was in the enterprises classified as "common carriers in the socialized sector," where it was 36.7 tons per vehicle. A more detailed analysis of this consumption shows inefficient operation, since average consumption ranges about 40 liters per 100 km, which is almost incomprehensible for long hauls.

As for "private carriers in the socialized sector," consumption per vehicle is higher than for common carriers in the socialized sector consumption per 100 km traveled is 43 liters, which is still less favorable from the standpoint of liquid fuel costs than for common carriers in the socialized sector. Common carriers in the private sector consumed 10.9 tons of fuel a year, but consumption per 100 km traveled was 29 liters.

However, common carriers in the private sector do not have trailers, but still the 55-percent higher fuel consumption of publicly owned equipment is a disturbing phenomenon, one which should be specifically analyzed from the standpoint of the formation and distribution of income in the OOUR [basic organization of associated labor] in highway transportation.

Tractors also have a sizable share in total fuel consumption, as follows:

* D. Raicevic, M.A., "Setting Quotas of Fuel Consumption in the Operation of Motor Vehicles and Tractors on Which This Depends," PLANIRANJE I ANALIZA POSLOVANJA, No 1, 1971, Belgrade.

<u>Elements</u>	<u>Total Number of Tractors in Operating Condition</u>	<u>Break-down</u>	<u>Total Consumption in Tons</u>	<u>Annual Consumption Per Tractor in Tons</u>
Total number of tractors	186,979	100.0	325,554	1.9
Socialized sector	12,528	6.7	23,622	1.9
Private sector	174,451	93.3	328,932	1.9

When this consumption is converted to liters, the result is an annual consumption of 2,209 liters per tractor. Average hourly tractor consumption was taken at 8 liters, which corresponds to an annual operating time of 276 hours.

Results of a Comparative Analysis

The computed estimates which have been presented analytically yield the following total consumption for highway transportation:

<u>Elements</u>	<u>Number of Vehicles</u>	<u>Break-down</u>	<u>Liquid Fuel Consumption in Tons</u>	<u>Break-down</u>
Total number of motor vehicles in operating condition	2,083,676	100.0	3,871,179	100.0
Passenger cars	1,707,973	81.9	1,131,746	29.2
Buses	17,341	2.0	244,954	6.4
Trucks	148,590	7.1	2,141,925	55.3
Tractors	186,979	9.0	352,554	9.1

The highest share in total consumption in highway transportation was for trucks at 55.3 percent, or 2,141,925 liters of liquid fuel. In second place were passenger cars with 29.2 percent, or 1,131,746 liters.

In view of relations in liquid fuel consumption the policy for further optimization of transportation must aim at restructuring the relative shares in meeting the needs of the economy and the population, as follows:

- i. by reducing consumption by passenger cars (restricting quantities for supply),
- ii. by increasing the share of the three other types of transportation (common carriers in the socialized sector, private carriers in the socialized sector, and tractors),
- iii. establishment of strict quotas on consumption for the equipment in the trucking industry by introducing conservation premiums, and
- iv. restructuring a certain quantity to furnish liquid fuels for tractors for the sake of agricultural development.

The transportation process must be so organized along these lines as to be fully in accord with the needs and operating regime of the users of transportation services, i.e., so that loading and unloading is done at the points specified in advance, at the stated time of the day and on schedule. In future trucking would be done on routes established in advance with specified speeds, the schedules of vehicles and drivers would be precisely regulated with respect to the length and hours of the day.

In order to increase productivity* work in the transportation sector can be done throughout all 24 hours on several shifts with two crews of drivers. As to selection of route, consideration should be given to the urgency of the delivery, the practical form of organization for increasing the productivity of pieces of transportation equipment and reduction of the carrier's cost per ton-kilometer.

Total Fuel Consumption by the Branches of Transportation

Each branch of transportation has technical and economic characteristics which determine the branch's place in the country's transportation system. The branch's position and place in the transportation system depends on the technical-and-economic characteristics, which, to be sure, are always present in the development of all branches of transportation, among which improvement of the technical characteristics of transportation equipment with respect to reduced energy consumption stands out particularly. These advantages become especially important when the transportation system as a whole has developed to a certain point and when the shipper can choose the means of transportation and derive all the advantages, including the minimum cost per ton-kilometer.

Rates for transportation services depend on the prices of energy and have a share in the level of the sales price of the goods (shipping costs) and have an evident share in the drop of the population's standard of living when there is an increase in fuel consumption.

The large share of liquid fuel consumption has brought about a 20-percent increase in shipping costs (through the impact of costs of energy used for power) with all the negative consequences.

Within liquid fuel consumption there has also been an increase in imports of gas oil for production of petroleum derivatives, reaching a culminating point at 9,317,000 tons, which, along with domestic resources, yields the following totals:

<u>Elements</u>	<u>Quantity in Tons</u>	<u>Breakdown, %</u>
Total refining	13,617	100.0
Domestic	4,300	29.3
Imported	9,317	70.7

* D. Raicevic, M.A., "Economic Justifiability of Replacing Trucks With Tractors and Trailers in the Movement of Freight," PLANIRANJE I ANALIZA POSLOVANJA, No 7, 1969.

The share of domestic sources and also the price on the world market for gas oil show the overall seriousness of the situation. However, the largest consumer is highway transportation, which is affected by factors of duplication of capacity (common and private carriers in the socialized sector) as well as by low productivity:

<u>Elements</u>	<u>In 1981</u>	
	<u>Total Consump- tion in Tons</u>	<u>Breakdown</u>
Total	5,397,000	100.0
1. Rail	189,776	3.1
2. Maritime	82,000	1.5
3. Miscellaneous industrial	700,491	12.9
4. River	45,909	0.8
5. Air	357,952	6.6
6. Highway	3,871,179	71.7
7. Urban	152,294	2.8
8. Transshipment	18,175	0.6

In the projected consumption of liquid fuels the effects of conservation could be greater provided the measures of the Federal Executive Council are strictly adhered to. We need not particularly emphasize that productivity is important to the conservation indicated, as is the concern which should be constantly paid to its constant increase both with common carriers in the socialized sector of highway transportation as well as in the other branches of transportation.

It is beyond doubt that high productivity of capacity is one of the important factors crucial to the increase in the volume of traffic, the rise of personal incomes and the reduction of production costs, which, altogether, ultimately affect the rise of the standard of living. There are very broad opportunities in transportation for carrying out changes, for advancement and for improvement so that more is carried faster and better. We dare not forget that in all of this the decisive factor are the workers--the direct producers, representing the factor of the input of live labor, and that the available transportation capacities and machinery are also an important factor.

Conclusion

The measures of the SIV [Federal Executive Council] resulted from passage of the Law on the Temporary Ban on Disposition of a Portion of Social Resources for Purchase of Diesel Fuel and Gasoline. Translated into economic language, this means that economic and other organizations will in future have to set aside considerably smaller financial resources for use of highway transportation for noneconomic purposes. This phase postulates a 10-percent conservation against total quantities, and within the OOUR this should be reduced to the amount per 100 km traveled.

Highway transportation has a 71.7-percent share in total consumption, which clearly shows that it is in this branch of transportation that more extensive

optimalization should be sought with a view to liquid fuel conservation, passengers and freight being shifted to rail and river transportation.

Effects of Restricted Liquid Fuel Consumption

The trend in consumption of commercial fuels after two decades of growth must be altered radically. In the near future it appears that there will still be quite a fundamental gap. It seems that there will be a serious conflict between habits and the prices of comfort resulting from use of passenger cars, motor launches, and weekend cottages, between what suits the masses and what suits personal interests. The physical conditions of production--the instruments of labor, the subject of labor and manpower--figure as resources of production, and there must be strict economy in their use. It is clear that the limits on consumption must be restored with the greatest speed to the limits of production, since there could be an uncontrolled gap whereby demand climbs to infinity and production is reduced to a minimum.

The role and importance of transportation in various economic systems and at varying levels of socioeconomic development, then, can be correctly evaluated only in the light of the state and development of the productive forces and production relations characterizing a given mode of production and the political factor of the social superstructure. The only way to restore the transportation industry to health is to improve utilization and technical maintenance of motor vehicles for passenger and freight transport, reduce useless standing time and deadheading of motor vehicles, carry out mergers of common carriers in the socialized sector with the transportation departments of enterprises which do their own hauling, introduce the use of trailers and special equipment (containers, pallets, and so on) for the traffic handled by OOUR's in highway transportation, provide garages for motor vehicle repairs, and develop the production of garage equipment and tools.

Organize large-scale freight shipment by truck from one region to another, see that highway carriers take over rail traffic on short routes. Organize maintenance of the highway network with a view to minimum liquid fuel consumption.

The measures of SIV issued in October 1982 presuppose that the organizational changes mentioned toward optimalization of the transportation process will be carried out by associated labor--by those employed in transportation processes. The restrictions which have been introduced for the purpose of optimalization and their performance depend to the greatest degree on specialized personnel and highly skilled workers who earn their income in highway transportation, and it is precisely on that basis that society anticipates greater conservation than can be looked for or achieved through administrative measures.

However, the measures undertaken by federal authorities have made it possible to halt the trend in the growth of consumption and to change the structure of consumption of liquid fuels, as shown in the following table.

<u>Elements</u>	<u>Number of Transporta- tion Units</u>	<u>Planned Consumption in 1983</u>		
		<u>Consumption in Tons</u>	<u>Tons Per Vehicle</u>	<u>Liters Per Vehicle</u>
Passenger cars	1,707,970	705,043	0.4127	4,800
Buses	17,341	244,954	1.4126	16,420
Trucks	148,590	1,642,278	1.1052	12,850
Special vehicles	22,793	42,138	1.8487	21,490
Tractors	315,000	1,013,559	3.2170	37,400
Highway transportation	2,211,694	3,647,972		
Other branches of transportation and industry	--	1,552,826		
Total	--	5,200,798		
Total production	--	5,397,000		
Conservation	--	196,202		

As for the necessity of applying the measures, it is an especially disturbing datum that in 1981 \$1,293.4 million were spent to purchase crude petroleum. Nor indeed is this all with respect to the financial strain on the social community, since another \$156 million was spent for petroleum deliveries and another \$195 million to purchase coke and petroleum coke.

Financial outlays of this size have resulted from a number of factors, one of the most influential of which is the high consumption caused by inefficient use of transportation capacity in almost all branches of the transportation industry.

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FOOD, AGRICULTURAL PRODUCTION FOR 1983, 1984

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[Text] It was stressed in a meeting of the Federal Committee for Agriculture that although food production this year for the most part has met expectations, some open questions remain when one considers the securing of balanced amounts to meet the needs of consumption after individual important products. A harvest of 5,376,000 tons of wheat is expected, which is 150,000 tons more of this grain than last year (calculations show that an average yield of 3.3 tons per hectare will be obtained on 1,603,000 hectares). According to Sava Veselinov, vice president of the Federal Committee for Agriculture, better results have not been achieved because of shortages of mineral fertilizers (13 percent). At the same time, since 73 percent of the land in the private sector is planted with wheat, the average yield of 2.9 tons per hectare is still unsatisfactory and the reserves are still unused here.

Perhaps Another Record Corn Harvest

It is expected that corn will be the largest fall harvest. A production of 10.7 million tons of "yellow gold" is estimated from 2,264,000 hectares. This grain is progressing excellently and the chances are very good that last year's record of over 11 million tons will be repeated. Sugar beets must be grown on 143,000 hectares, and with an average yield of 44.3 tons per hectare 6.3 million tons of sugar beets are expected. Based on this, this year's sugar production is anticipated to be 790,000 tons.

The deficit in oil production will continue. This is because sunflowers will be harvested on only 76,000 hectares (62,000 hectares less than last year) and, with an average yield of 1.9 tons per hectare, a total production of 144,400 tons of sunflower seeds or 58,000 tons of sunflower oil are expected. Better results will be realized in the production of soybeans grown on 105,000 hectares. With an average yield of 2.29 tons per hectare, 241,100 tons of beans or 38,500 tons of soy oil are expected. Finally, rape will be harvested from 49,000 hectares. From this amount of land, with an average yield of 2.5 tons per hectare, 136,600 tons of rape or 54,600 tons of oil are expected. A total of 151,100 tons of oil will be produced, which means that there will be a shortage of around 150,000 tons which will have to be made up by imports. Therefore, an extraordinary program has been proposed for the production of oleaceous crops, whose goal, Veselinov stressed, will

be to create in the next 2 years the economic conditions necessary to motivate the producer to cultivate oleaceous crops.

The production of 1,304,000 tons of meat is anticipated this year for the livestock industry. This includes 373,000 tons of beef, 496,000 tons of pork, 60,000 tons of lamb, 289,000 tons of poultry and 86,000 tons of other types of meat.

The production goals for the agroindustrial complexes will be delimited by an agreement on the conditions and measures for the carrying out of food production in 1984, which will soon be taken up in a meeting of the Federal Executive Committee. It is expected that 1,666,000 hectares of wheat and rye will be planted in fall, with an average yield of 3.62 tons per hectare for a total yield of 6 million tons. In order to achieve this, it is essential that already during planting the amounts necessary to meet overall consumption be agreed upon--and that is 3.6 million tons. In this sense it is already important to begin carrying out measures for purchasing the 1984 wheat crop.

The plan includes increasing the amount of land planted with corn, and with an average yield of 4.83 tons per hectare, a production of over 11 million tons has been predicted. This would represent the basic precondition for further reproduction. It is also planned that 190 hectares will be returned to the cultivation of sugar beets. With an average yield of 43.8 hectares, around a million tons of sugar would be produced. With a satisfactory level of the development of beet seed production, and especially the possibility of processing capacities, the stable supply of sugar to the market would be secured, as well as a consumption level of 32-33 kg per person.

The extraordinary program for the production of oleaceous crops foresees a growth of the amount of land planted with sunflowers of 121,000 hectares in relation to this year. A jump in soybeans to 150,000 hectares is also expected, which would be 48 percent more than this year, and is very important also for securing a sufficient amount of fodder. An increase is also planned for rape. In this way, this year's deficit of 196,000 tons of oil will be decreased to 113,000 tons for next year. A total of 512 million tons of oil and protein-rich crops is anticipated.

The present level of rice production is expected to be maintained--the planting of 9,500 hectares and the production of 46,500 tons of rice with a deficit of 40,000-44,000 tons. Tobacco production will also not change much--from 70,000 hectares an insignificant increase in production is anticipated--90,000 tons of fermented tobacco.

In livestock production, it is first necessary to create conditions in the material sense, and then, the growth of the production of fodder (where a planting of 200,000 hectares is fully expected). It is expected that in this way the production of meat will grow to 1,334,000 tons. Pork production will reach 500,000 tons and beef, 400,000 tons. Growth is also programmed for the production of fattened veal--700,000 tons, which would allow exports to reach 150-170,000 tons.

Of the measures and conditions which would aid in realizing these goals in 1984, it is important to secure in seed production a sufficient quantity of wheat and oleaceous crops (especially soybean seeds for regular and fodder crops). The securing of a total of 3,380,000 tons of mineral fertilizers is necessary for the fall and spring planting--1.3 million tons for fall and 2.1 million for spring. The prompt delivery of these substances would aid in achieving the optimal planting periods and the corresponding average yields. The securing of 60,000 tons of chemical pesticides are also necessary.

Mechanization must also be renewed, because, although the tractor supply is good--500,000, as well as combines--22,000, many of them are quite old. In connection with this, the import of reserve parts is necessary.

Milorad Stanojevic, president of the Federal Committee for Agriculture, stressed that two harvest years have characterized agricultural production, but it is estimated that individually they have not been reflected in all the key points. The reason for the inability to meet individual goals for the most part lies in the necessary participation of a hard currency component of 700 million dollars. If this operative solution is continued from spring to fall, this year's unsatisfactory situation will be repeated. And, it will be much easier in agricultural production to win the battle for yield than for land. Insomuch as the supply of imported reproduction materials falls behind, the corresponding quality will not be able to be achieved. This year's growth in wheat production, for example, was achieved so to speak thanks only to the increase of cultivated land. Therefore, the production of over 6 million tons of wheat without the intensification of yield remains the goal.

Consideration of the agreement on food production for 1984 has this time already begun in July in order to solve promptly all the problems falling under the authority of the Federal Executive Committee and to oblige other organs for the rest. Of course, the most important question is to produce for export, and hence secure hard currency for the needs of agricultural production.

The number one problem in the fall planting is, therefore, the securing of 60 million dollars, and already in September-October the same amount of resources are necessary. All the proposals for the agreement on the conditions and measures for the carrying out of food production in 1984 will be oriented towards this. This agreement will delimit what in 1984 must be secured from agriculture and will plan the necessary amounts. With the republics' and regions' signatures, this will become their goal, but also a guarantee that that which is established by the balance will be secured. Because, in this way, as Stanojevic mentioned, this agreement will no longer be only "agricultural," but will oblige all the republics and regions to aid in its realization.

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